

Mā tō tātou takiwā  
**For our District**

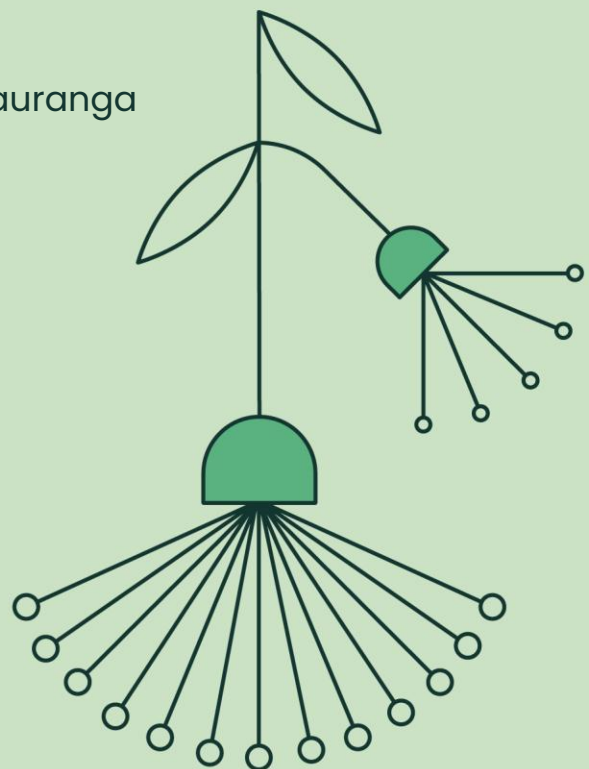
## **Audit, Risk and Finance Committee**

Kōmiti Arotake Tūraru me Ahumoni

ARF25-2

Wednesday, 4 June 2025, 9.30am

Council Chambers, 1484 Cameron Road, Tauranga



# Audit, Risk and Finance Committee

## Membership:

<b>Chairperson</b>	Cr Murray Grainger
<b>Deputy Chairperson</b>	Cr Tracey Coxhead
<b>Members</b>	Cr Grant Dally Mayor James Denyer Cr Anne Henry Cr Rodney Joyce Cr Margaret Murray-Benge Cr Laura Rae Deputy Mayor John Scrimgeour Cr Allan Sole Cr Don Thwaites Cr Andy Wichers Stuart Henderson – Independent Member
<b>Quorum</b>	Seven (7)
<b>Frequency</b>	Quarterly

## Role:

The main purpose of the Committee is to assist Council in providing oversight of matters relating to the quality and integrity of financial reporting, independence and performance of the external auditors, effectiveness and objectivity of the internal audit programme, and oversight of business risks and compliance activities.

## Scope:

### Responsibilities:

- Assist Council in fulfilling its responsibilities for financial statements and external financial reporting.
- Monitor the Council's external and internal audit process and the resolution of any issues that are raised.
- Review key formal external accountability documents such as the Annual Report in order to provide advice and recommendation in respect to the integrity and appropriateness of the documents and the disclosures made.
- Provide a forum for communication between management, internal and external auditors and the governance level of Council.
- Ensure the independence and effectiveness of Council's internal audit processes, with oversight of the internal audit programme and findings.

- Oversee the development of the Council's Annual Report.
- Oversee the development and management of financial policies and delegations.
- Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities.
- Support measures to improve management performance and internal controls.

### Responsibilities:

#### **Audit (internal and external):**

- Ensure appropriate accounting policies and internal controls are established and maintained and
- assist Council in ensuring the effective and efficient management of all business risks.
- Ensure an appropriate framework is maintained for the management of strategic and operational risk (including risk appetite). Review risk including technical insurance matters
- and participation in national risk management practices, health and safety risk management and implementation of risk management processes.
- Review the effectiveness of the Long Term Plan audit or any audit relating to an amendment to the Long Term Plan
- Review the effectiveness of the annual audit.
- Monitor management response to audit reports and the extent to which the external audit recommendations concerning internal accounting controls and other matters are implemented.
- Monitor the delivery of any internal audit work programme and implementation of any significant recommendations including control risk, accounting and disclosure practices.
- Engage with Council's external auditors regarding the external work programme and agree the terms and arrangements of the external audit in relation to the Annual Report.
- Engage with internal and external auditors on any specific one-off audit assignments.
- Review the effectiveness of the control environment established by management including the computer information management systems controls and security. This also includes a review/monitoring role for relevant policies, processes, and procedures.

#### **Risk management:**

- Review the Risk Management Framework, and associated procedures to ensure they are current, comprehensive and appropriate for the effective identification and management of Council's financial and business risks including fraud and cyber security.
- Review the effectiveness of the system for monitoring Council's financial compliance with relevant laws, regulations and associated government policies.
- Review whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements.

- Review Council's Fraud Policy to determine that Council has appropriate processes and systems in place to capture and effectively investigate fraud related information.

**Financial:**

- To monitor the operational performance of Council's activities and services against approved levels of service.
- Monitor financial performance against any Council approved joint contracts with other local authorities.
- Report financial outcomes and recommend any changes or variations to allocated budgets including both operational and capital expenditure.
- Provide oversight of legal risks, claims or proceedings (excluding the approval of any legal settlements).
- Recommend the adoption of the Annual Report and the approval of the Summary Annual Report to Council.

**Power to Act:**

The Committee is delegated the authority to:

- Receive and consider external and internal audit reports.
- Receive and consider staff reports on audit, internal control and risk management policy and procedure matters as appropriate.
- To approve the Auditors engagement and arrangement letters in relationship to the Annual Report.

**Power to Recommend:**

To make recommendations to Council and/or any Committee as it deems appropriate.

**Power to sub-delegate:**

The Committee may delegate any of its functions, duties or powers to a subcommittee, working group or any other subordinate decision-making body, subject to the restrictions on its delegations and provided any sub-delegation includes a statement of purpose and a specification of task.



Notice is hereby given that an Audit, Risk and Finance Committee Meeting will be held in the Council Chambers, 1484 Cameron Road, Tauranga on: Wednesday, 4 June 2025 at 9.30am

## Order Of Business

<b>1</b>	<b>Karakia .....</b>	<b>6</b>
<b>2</b>	<b>Present .....</b>	<b>6</b>
<b>3</b>	<b>In Attendance.....</b>	<b>6</b>
<b>4</b>	<b>Apologies .....</b>	<b>6</b>
<b>5</b>	<b>Consideration of Late Items.....</b>	<b>6</b>
<b>6</b>	<b>Declarations of Interest.....</b>	<b>6</b>
<b>7</b>	<b>Public Excluded Items.....</b>	<b>6</b>
<b>8</b>	<b>Public Forum.....</b>	<b>6</b>
<b>9</b>	<b>Presentations .....</b>	<b>6</b>
<b>10</b>	<b>Reports .....</b>	<b>7</b>
10.1	People and Wellbeing Report.....	7
10.2	Audit Management Report 2023/24.....	25
10.3	Outstanding Recommendations Register – May 2025 .....	61
10.4	Financial Performance Update – 30 April 2025 .....	72
10.5	Review of Accounting Policies and Key Accounting Judgements – Annual Report 2024/25 .....	87
10.6	Proposed sale of Zespri and Seeka shares.....	99
<b>11</b>	<b>Information for Receipt .....</b>	<b>104</b>
11.1	Local Government Official Information Request – Quarter 4 Report (2024/25) .....	104
<b>12</b>	<b>Resolution to Exclude the Public .....</b>	<b>109</b>
12.1	Litigation Register Update – May 2025.....	109

**1 KARAKIA**

Whakatau mai te wairua	Settle the spirit
Whakawātea mai te hinengaro	Clear the mind
Whakarite mai te tinana	Prepare the body
Kia ea ai ngā mahi	To achieve what needs to be achieved.
Āe	Yes

**2 PRESENT****3 IN ATTENDANCE****4 APOLOGIES****5 CONSIDERATION OF LATE ITEMS****6 DECLARATIONS OF INTEREST**

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest that they may have.

**7 PUBLIC EXCLUDED ITEMS****8 PUBLIC FORUM**

A period of up to 30 minutes is set aside for a public forum. Members of the public may attend to address the Board for up to five minutes on items that fall within the delegations of the Board provided the matters are not subject to legal proceedings, or to a process providing for the hearing of submissions. Speakers may be questioned through the Chairperson by members, but questions must be confined to obtaining information or clarification on matters raised by the speaker. The Chairperson has discretion in regard to time extensions.

Such presentations do not form part of the formal business of the meeting, a brief record will be kept of matters raised during any public forum section of the meeting with matters for action to be referred through the customer relationship management system as a service request, while those requiring further investigation will be referred to the Chief Executive.

**9 PRESENTATIONS**

## 10 REPORTS

### 10.1 PEOPLE AND WELLBEING REPORT

**File Number:** A6748436

**Author:** Darren Crowe, People and Capability Manager

**Authoriser:** Adele Henderson, General Manager Corporate Services

#### RECOMMENDATION

That the People and Capability Manager's report dated 4 June 2025 titled 'People and Wellbeing Report' be received.

## PEOPLE EXPERIENCE

### SUMMARY

The People Experience section of this report provides a snapshot of the trends and demographics of our workforce over the three months from 1 January to 31 March 2025.

The past three months have been both busy and successful for the People Experience team. The ongoing implementation of Workday has placed additional pressure on the team due to tight delivery timelines, while still managing other key initiatives such as the leadership development programme and preparation for the 2025 remuneration review.

Key people metrics and insights for the period include:

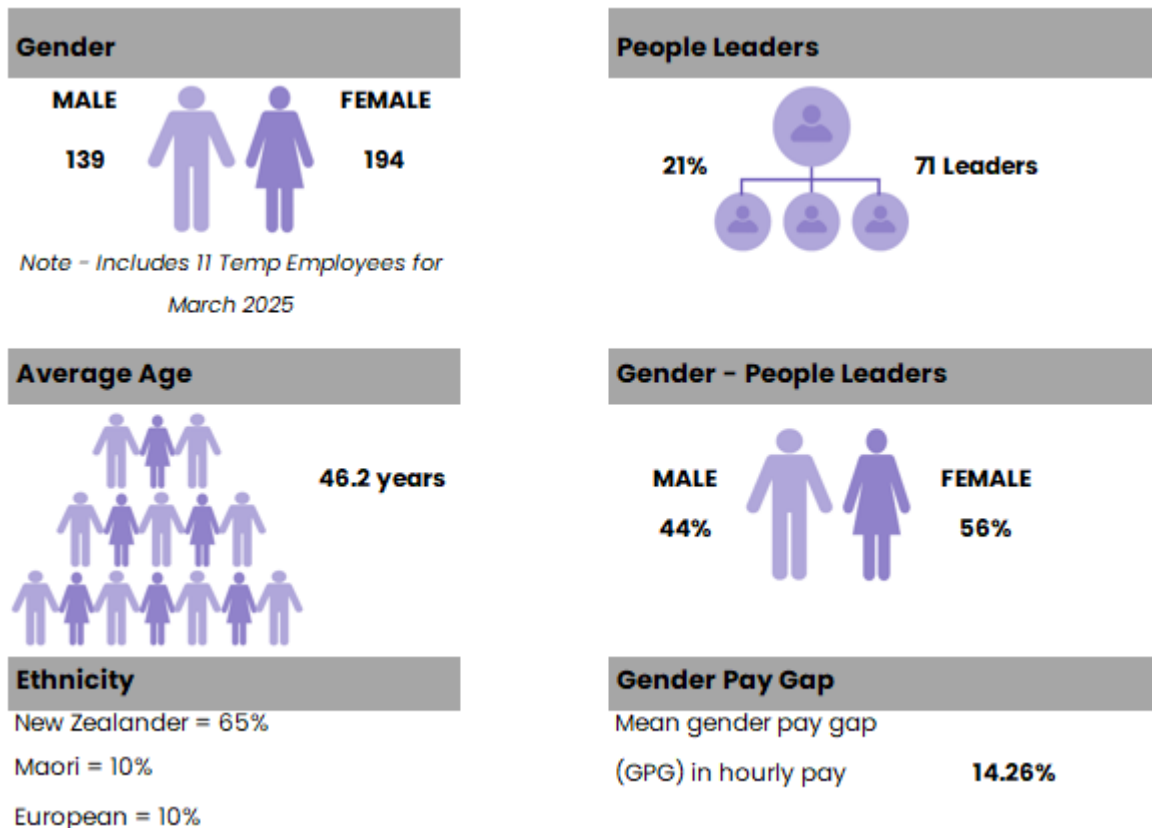
- The total number of employees decreased by 9 from 342 to 333
- The actual FTE level decreased from 310.54 to 304.02
- Turnover decreased from 10.9% to 9.3%
- The average vacancy rate increased from 5.7% to 10.1%
- The absenteeism rate increased slightly from 2.81% to 3.56%

Some great results for the period with key people metrics continuing to trend in the right direction. It is pleasing to see that we have maintained the low levels of absenteeism and turnover reported in the previous period.

### PEOPLE DEMOGRAPHICS

The total number of people employed at Western Bay decreased by 9 from 342 (as at Dec 24) to 333 (as at Mar 25). This includes 267 permanent fulltime and 53 permanent part time. The remaining people are fixed term/casuals. The decrease can be attributed

to several temporary summer roles coming to an end. When compared to the same period last year, the total number of people employed has decreased by 2, from 335 (as at Mar '24) to 333 (as at Mar '25).



### People Leader Ratio

The number of people leaders increased slightly from 70 to 71 over the last quarter. People leaders represent 21% of our people and the ratio of people leaders to employees is 1 to 3.69.

### Gender

Our gender distribution has changed slightly for this period. Fifty eight percent (58%) of our permanent and fixed-term workforce identify as female and 42% as male. For the second consecutive quarter, we report a slight difference in the distribution of gender within our people leaders, with 56% identifying as female and 44% identifying as male.

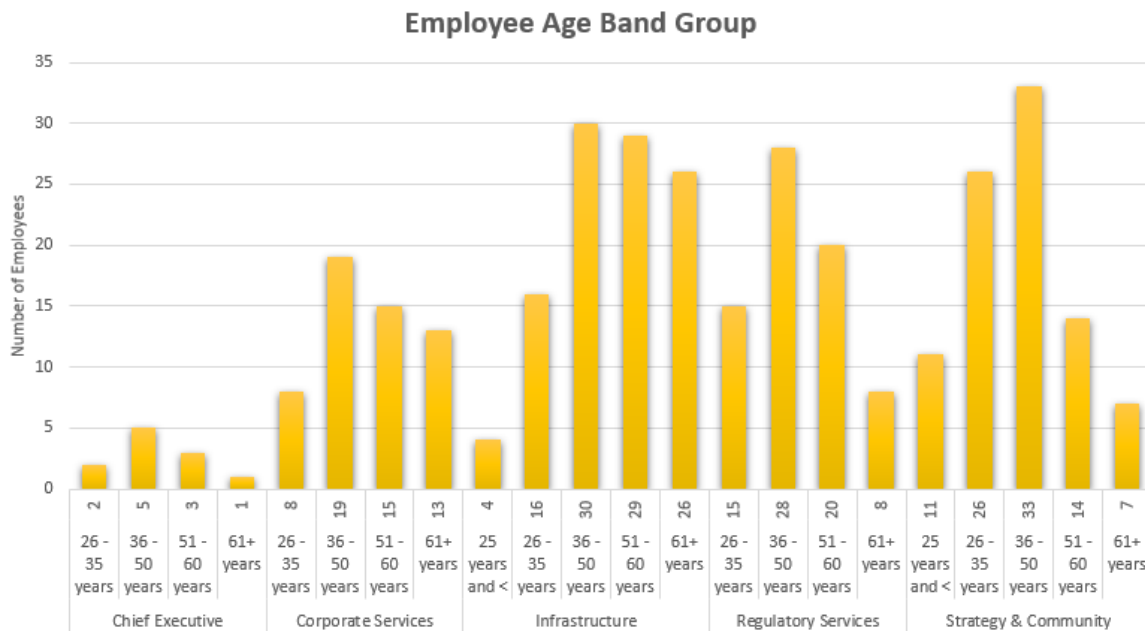
### Age

Age demographics remains very consistent from quarter to quarter as we continue to report a slightly skewed distribution toward the higher age range. The average age of our people is 46.2 years with the 36-50 age group our most prevalent. People under 25 years of age continue to be lowly represented (12 in total) at 4% of total employees.

Age demographics remains as an emerging risk due to the impact our ageing workforce could have on the retention of institutional knowledge. This combined with our low

attraction and retention rates of younger people, may impact our ability to deliver into the future.

Continuing trends include the high portion (25%) of the Infrastructure Group represented in the 61+ years age bracket, followed closely by Corporate Services group with (24%).



### Gender Pay Gap

Our mean gender hourly pay gap has decreased slightly moving from 15.49% in March 24' to 14.26% in March '25. At the end of Q2 Dec '25 our gender hourly pay gap was 14.15% which is consistent with this reporting period. The gender pay gap in New Zealand is currently 8.2% (as at June '24). The gender pay gap helps provide an understanding of high-level indicators of the difference between women and men's earnings, as well as the benefits of pay and employment equity.

### Ethnicity (all employees including casual)

We currently employ 14 ethnicities captured as, African 9, American 1, Asian 4, Australian 6, Brazilian 2, Chinese 4, English 12, NZ/European 250, Indian 5, Māori 33, Pacific Peoples 5, and Scottish 1.

### Leaders Ethnicity

We currently have 71 people leader roles across Council. The ethnic spread of our people leaders closely mirrors the overall ethnic distribution of the organisation. Of the 71 people leaders 77% identified as European/New Zealander while 10% identified as Māori. The remaining 13% is made up of 3% African, 1% American, 2% Australian and 4% English.

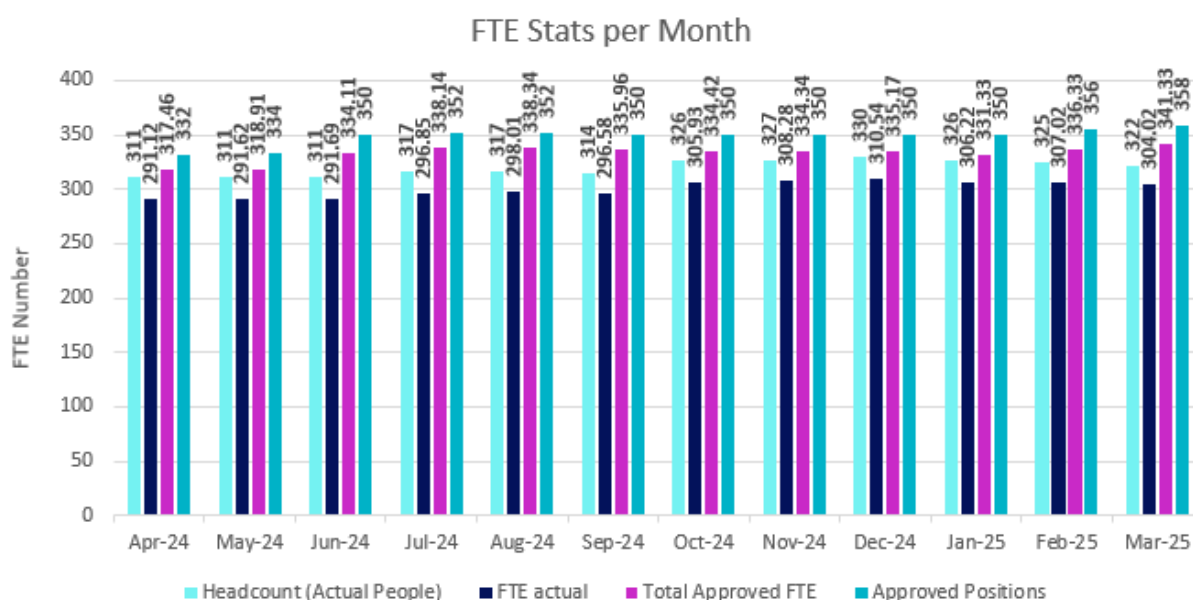
## WORKFORCE CAPACITY

The FTE approved level as at 31 March '25 was 341.33 (compared to 335.17 as at 31 Dec '24) and the actual FTE level was 304.02 (compared to 310.54 as at 31 Dec '24). The actual permanent headcount was 322 (333 including fixed-term roles). As forecast, the actual headcount level reduced over this quarter due to a number of temporary roles ending.

The average vacancy rate increased to 10.1% for the quarter compared to 5.7% as at the same period last year (March '24). The average vacancy rate increased by 4.4% over the period.

Recruitment decreased significantly for the period with three positions filled compared to 31 in the previous period (which included recruitment for the Transport structure and summer ambassadors).

### Full Time Equivalents as at 31 March 2025 (excludes temporary positions)



### Labour Market Snapshot

As forecast by many economists last year, the NZ unemployment rate now exceeds 5% reaching 5.1% as at the end of the Dec '24 quarter. This is an increase from the previous quarter's rate of 4.8%. Annually, unemployment rose by 33,000 to 156,000. The unemployment rate is projected to reach 5.6% for the period ending March '25, according to the NZIER. The Reserve Bank of New Zealand (RBNZ) anticipates a peak of 5.2% in the June quarter of 2025, before declining gradually.

National trends for job ads have remained relatively steady for some time, however of note, ad volumes increased by 2% for the first time since August 2022, indicating a stabilisation of the market. Applications per job ad continued to climb, rising a further 2%

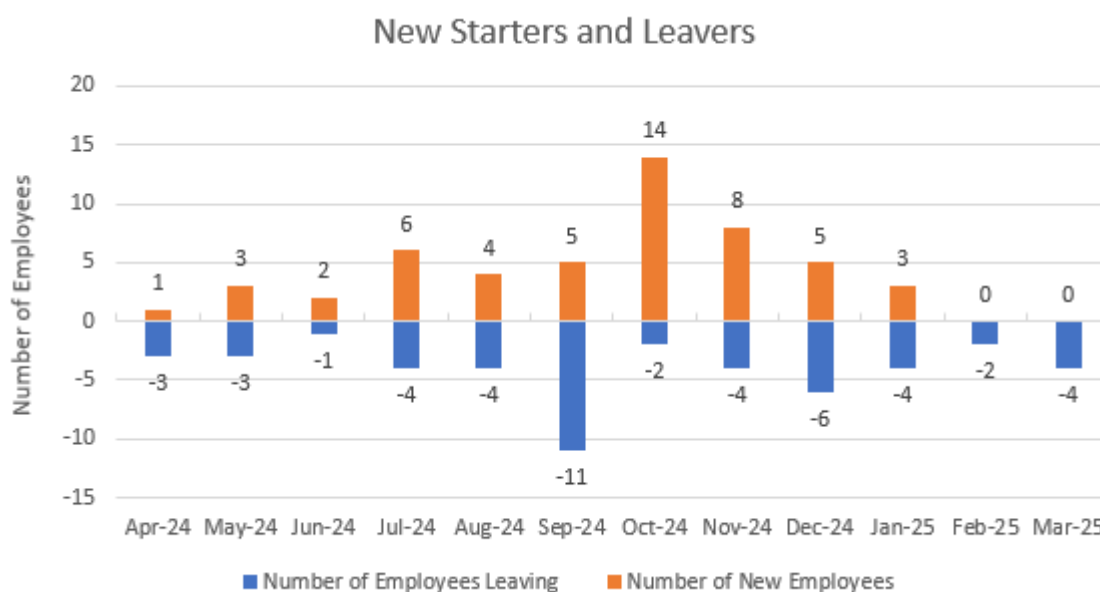
making for an extremely competitive market for candidates (Seek Employment Report March 2025).

We will continue to closely monitor the labour market as in the past, when the local economy and our communities come under pressure, there is potential for an escalation in antisocial behaviour.

As a result of the tightening market, we have seen a rise in the number of applications for each role. We continue to attract strong talent with the prerequisite skills and experience looking for their next role however, with the increasing number of applications, our focus will now be on managing the volume of applications and finding the good ones among the volume.

### STARTERS AND LEAVERS

We increased the number of employees by three in total over the quarter. Of note, there were no new employees in February and March. The employees on average leaving Western Bay over the last three months was three.



For the quarter ending March '25, we had 9 permanent employees, and one casual employee leave Western Bay. Five employees participated in exit interviews and the key themes from the exit interviews were:

- On average, our leavers rated Western Bay a **6.6/7** as a place to work.
- The main reasons for leaving were due to personal reasons (unrelated to work) and relocation.

Demographics of the 10 leavers included:

- 3 female and 7 male

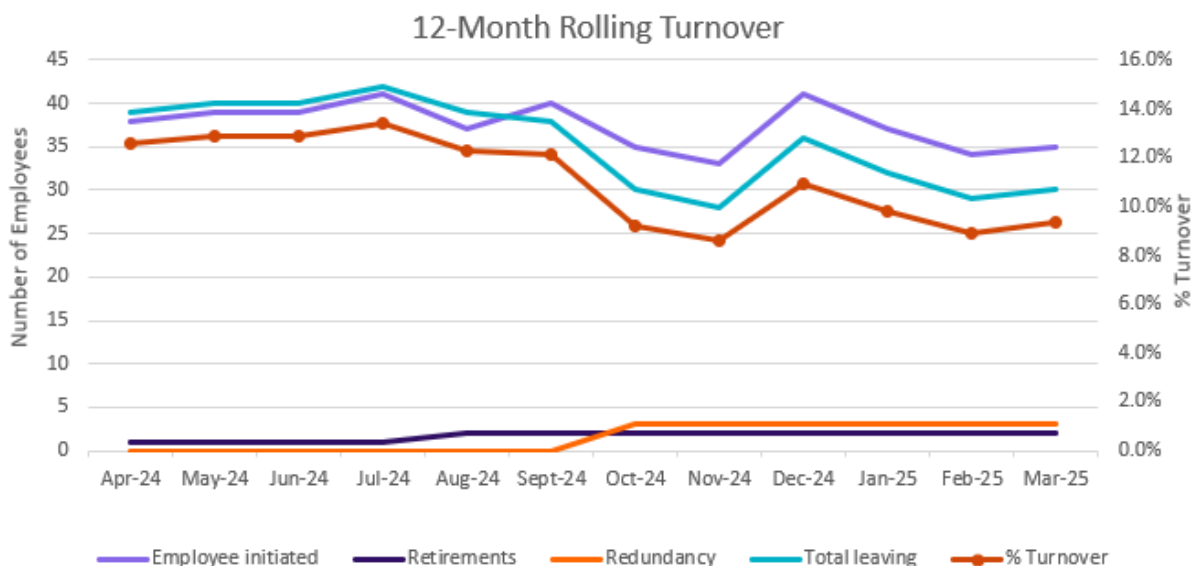
- Age 25 and under: 1
- Age 35-50: 6
- Age 51-60: 2
- Age 61 and Over: 1

Tenure of leavers:

- Less than 1 year: 1
- 1-3 years: 6
- 5-10 years: 3

### 12 MONTH ROLLING TURNOVER

Turnover decreased in the March '25 quarter to 9.3% compared to 10.9% in the Dec 24' quarter. The yearly average was 12% as at Mar 25' compared to 13.6% as at March '24. The positive downward trend continues which is very pleasing.



### SICK LEAVE TAKEN

#### Sick Leave Taken

Sick leave taken can be defined as the annual recording of unexpected staff absences caused by sickness or other personal reasons.

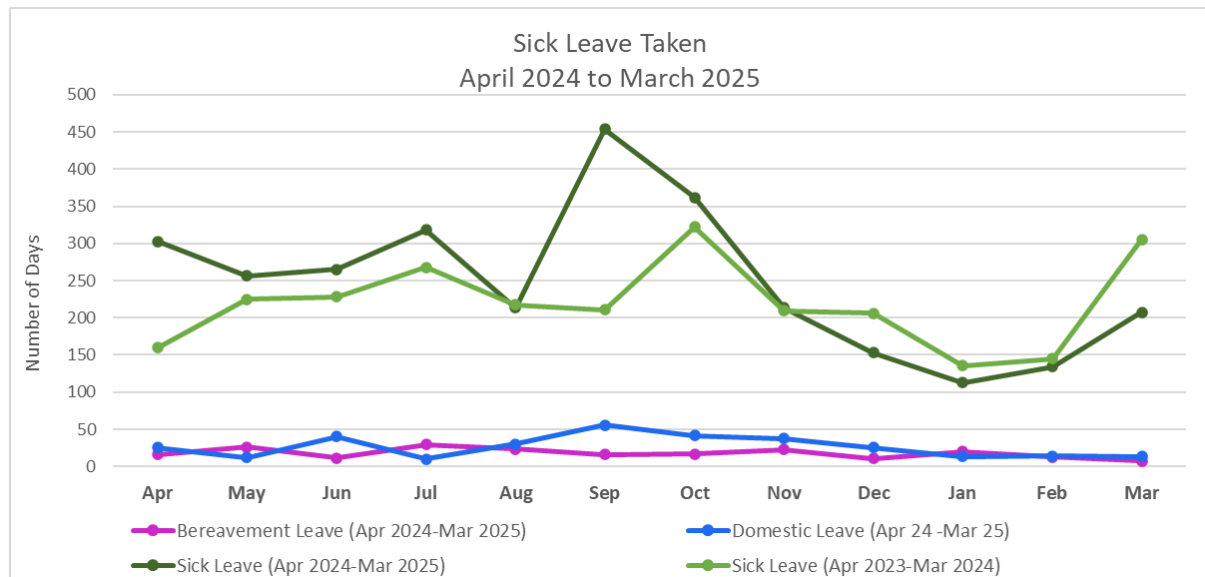
Sick leave recorded for December '24 was 153 days, compared to 207 days in March '25, but still lower than March '24 with 306 days. The average number of sick leave days for the months Jan to Mar '25 was 151.

The absenteeism rate increased slightly from 2.81% to 3.56%, which was to be expected, however still remains very low. The year-on-year comparison is down from 5.50% (March



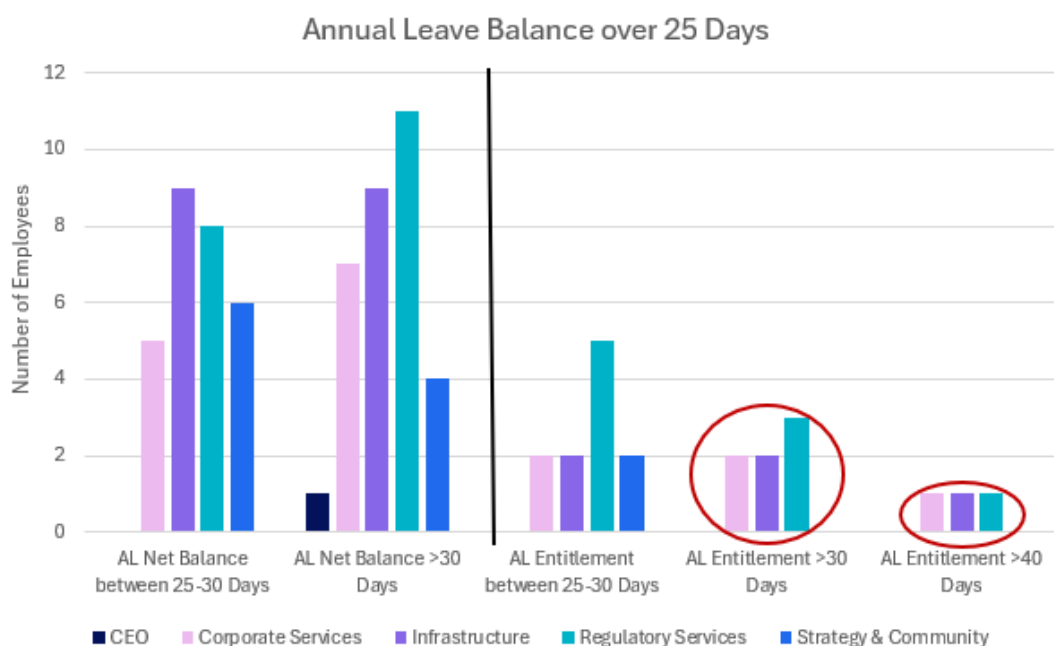
'24) to 3.56% (March '25). It is very positive to see the low trend continue as we head into the winter months. The absenteeism rate is calculated using the average number of employees, multiplied by missed work days, divided by the average number of employees, multiplied by the total work days.

As at March '25, 10 employees had negative sick leave balances ranging from 5 to 10 days. There were 20 employees with over 10 days of negative sick leave, resulting in a total cost of just over \$170,100 for Western Bay.



### Annual Leave Balances Over 25 Days

We currently have three people with over 40 days of entitlement: One each from Corporate Services, Regulatory, and Infrastructure Groups.



## PROJECTS AND INITIATIVES

### WORKDAY

The workday implementation is on track and progressing well. Project updates continue to be provided monthly through the Priority Project Governance (PPG) group.

Milestones completed during the last quarter include:

- Review and sign off end-to-end build workbooks
- Data migration and validation for end-to-end build
- Integrations complete
- Documented test scenarios and test scripts in preparation for end-to-end testing
- Preparation of training material, resources and tools to train People Experience team, people leaders, and staff.

### LEADERSHIP DEVELOPMENT

We have completed the discovery and co-design phase of our leadership development initiative with Updraft.

Milestones completed during this phase:

- A clear and collectively shaped definition of what great leadership looks like at WBOPDC 'Te Ara Wai – The Pathways of Water'
- A high-level plan for learning experiences that build skills and shape behaviours to bring the vision of leadership in all roles to life.
- Launch events planned for kick off on 2 May 2025. As of 28 April 2025, we have 246 staff registered to attend a launch session which is a fantastic effort.

Next steps:

- Confirm detailed design for learning experiences
- Launch intranet page
- Commence booking for the core and people leader learning experiences
- Define any ongoing support from the Updraft team for ELT

### INSIGHTS DISCOVERY

The People Experience Partners continue to work with People Leaders who are interested in completing this with their teams.

#### **What is Insights Discovery?**

Insights Discovery is a psychometric tool that uses a simple, four-color model to help us understand our personalities, work styles, and communication preferences. The model is

based on the psychology of Carl Jung and helps us better understand ourselves and others.

**How does it work?**

Each of us has all four colour energies within us, and the combination of these energies forms our unique style. The tool provides a common language to discuss and appreciate our collective strengths and differences, helping us enhance our teamwork and communication.

**What are the goals and outcomes we are trying to achieve?**

- To enhance our own personal effectiveness – through increasing self-awareness and identifying our strengths.
- To enhance team effectiveness and cohesion – through a greater awareness and appreciation of different perspectives, increased knowledge of ways to connect and communicate with others and a common language to help discuss and resolve conflict where it arises.
- To positively contribute to an individual's sense of belonging and feeling of being included and appreciated for who they are and the valuable contribution they bring to work.
- To enhance communication and collaboration with stakeholders, community and our partners by using the skills learnt to spot other's communication style and adapt our own behaviour to better connect.

**Status Update**

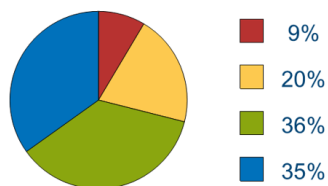
As of 28 April 2025, 174 people have an Insights profile, 24 teams have participated in a team workshop (some combined) and 17 workshops have been held since the start of the roll out.

Below is a snapshot of the Insights colour energy preferences from all those who have completed a profile so far. We have noted some key observations that might be helpful when thinking about communication, engagement and decision making:

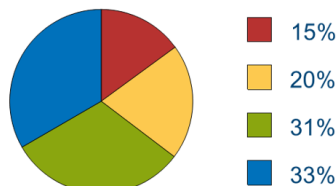
- Approximately one third of people have 3 colour energies above the line, nearly two thirds have 2 colours above the line reinforcing the concept that we have multiple colour energy preferences, not just one.
- On the inclined energies (colours above the line), over two thirds have an introverted preference (green and blue).
- There is an even split between the thinking preference 48% (red and blue) and feeling preference 51% (green and yellow).
- Red is the lowest colour energy preference.

## Consolidated team wheel for all of organisation to date

Dominant Energies



Inclined Energies



## LinkedIn Learning

77% of our available licences have been activated. In the past 90 days, 16% of users have viewed content with an average of 1 hour per viewer. 16 learners have engaged with LinkedIn Learning's AI powered features (AI Powered Coach) in the last 90 days. The most popular topics continue to be time management, project management and Microsoft Excel and we have seen an increase in People Management skills (conducting one to ones, leading meetings, daily habits for people management).

The Project Base Camp team is collaborating with LinkedIn Learning to integrate LinkedIn resources into the staff's learning experience during the rollout of the new Project Management Framework.

## HEALTH, SAFETY AND WELLBEING

### STRATEGIC DIRECTION

Our strategic focus continues to include improving health, safety and wellbeing knowledge, behaviours and outcomes for our people by empowering them to actively contribute to, and participate in, safety leadership.



## RISK MANAGEMENT

As part of our ongoing response to the recommendations from Pillar Consulting, a new Risk Management training module has been developed and delivered to the Infrastructure Group through our online induction and training portal.

This module provides a foundational understanding of key risk concepts — hazards, risks, and controls — all contextualised through a Western Bay lens to ensure relevance and practical application.

While the initial focus was on addressing Infrastructure-specific recommendations, the module has been developed with scalability in mind:

- It is well-suited for organisation-wide rollout
- It is intended to become a standard component of our onboarding programme, supporting consistency in our approach to risk awareness and management across all teams

This initiative reflects our commitment to embedding a strong, shared understanding of risk and safety as a core part of our workplace culture.

## TRAINING

Our leaders continue to actively manage team training requirements using the Vault health and safety management system. While we await the implementation of our new HRIS system, which will support training management, we are reinvigorating a project to ensure Vault is accurately capturing training needs. This work aims to better support leaders in proactively overseeing and fulfilling their teams' development and compliance obligations.

With the addition of several new team members in Customer Services, we've reactivated the comprehensive 9-module Conflict Management and De-escalation course delivered by WARN International. To maintain a consistent skill level across the team, refresher training has been offered to all existing staff who previously completed the course. This initiative aligns with our proactive approach to managing Critical Risks, particularly those related to frontline interactions

Recognising individual needs is key to keeping our people safe. During this period, we facilitated driver awareness and confidence training for a team member who identified challenges in this area. By partnering with a new provider, the session led to increased confidence and very positive feedback. This initiative directly supports one of our four identified Critical Risks. These efforts demonstrate our ongoing commitment to early intervention, tailored support, and embedding safety as a shared responsibility across the organisation.

## ENGAGEMENT AND CONSULTATION

As we continue to build a deeper understanding of the projects our teams are delivering, there has been a deliberate focus on increasing on-site engagement. This includes spending more time alongside our teams and contracting partners to support the safe and successful delivery of projects.

Using the Vault Check system, a number of project sites were visited and reviewed to assess safety performance, strengthen collaboration, and identify opportunities for continuous improvement.

Sites visited include:

- Waihi Beach Library build
- Athenree Water Treatment Plant build
- Wharawhara Water Treatment Plant build
- Katikati Wastewater Treatment Plant build
- Waitekohekohe suspension bridge build
- CS7 Bore installation

This approach reinforces our commitment to visible safety leadership, partnership with contractors, and ensuring that health and safety is embedded in every stage of project delivery.

### DUE DILIGENCE

As reported in the media, the Minister for Workplace Relations and Safety announced a series of proposed changes to Health and Safety at Work Act. The proposed changes are expected to be presented to Parliament later this year, with a view to enactment in early 2026. The changes include:

Initial Proposed Change	Impact to Council
Reduced H&S requirements on small business	Negligible for our Operations, but may impact some Contractor engagement
Free up landowners from liability in 3 <sup>rd</sup> party activities	To be determined. Possibly TECT Park, events on Council land, and use of our cycleways and walkways etc.
Director focus shifts to governance and oversight, rather than day to day management	Minimal. Council operates more to this model than the opposite.
Greater use of Approved Codes of Practice, compliance which supplements the HSWA.	Minimal. Some ACOP will apply to our operations, however it is not expected that much change to operations will be required to comply.
Increased focus on Critical Risk management	Minimal. We have started this journey.
Reducing regulator notification requirements	No change
Creation of a hot line for excessive road cone use	We are already underway with transitioning our understanding to the new Guide to Temporary Traffic Management, which will address this.

## AUDIT AND REVIEW

Our teams completed the highest number of recorded checks within the quarter of all time, entering 90 into the Vault Check system. This compares to a reasonably consistent volume of 55–60 checks per quarter in the 12 months prior.

This is a good demonstration of increased engagement from our team members with our contracting partners, as well as a continued improvement in checking the safe condition of our vehicles by completing Vehicle Checks.

These checks identified some corrective actions which have been assigned to the relevant people, however there was nothing of a concerning nature identified during the checks.

## EVENTS OF NOTE

Our people were involved in no notable events, although exposure to aggressive or threatening behaviour was the highest recorded event type (7 of 24). Five events required some sort of First Aid treatment, with the remaining being No Treatment / Report Only events. There was no identifiable trend from incidents involving Western Bay staff during the quarter, outside of the aggressive/abusive customer interactions (which were all verbal only).

Within our contracting partners, there was three high potential events reported.

### **Truck Rollover Incident**

A chip seal truck, moving slowly in the late afternoon sun with the hoist raised, tipped over due to the road's significant camber. The road edge gave way slightly, destabilising the truck, which tipped into the bank. Fortunately, there were no injuries or major vehicle damage. The contracting partner has since revised their chip sealing procedures for roads with steep cambers, focusing on truck positioning, hand chipping on soft shoulders, and hoist height. Staff have been trained on these new processes.

### **Work at Height Without Fall Protection**

A Working at Height trained contractor was observed on CCTV working on a roof without fall protection, despite the height exceeding 2m. A joint investigation identified gaps in job planning and risk assessment. The contractor has committed to improving these processes, and Western Bay will closely monitor future work to ensure compliance. A Safety Alert has been issued to project and contract managers for distribution to relevant contractors.

**Ratchet Strap Failure – Thumb Injury**

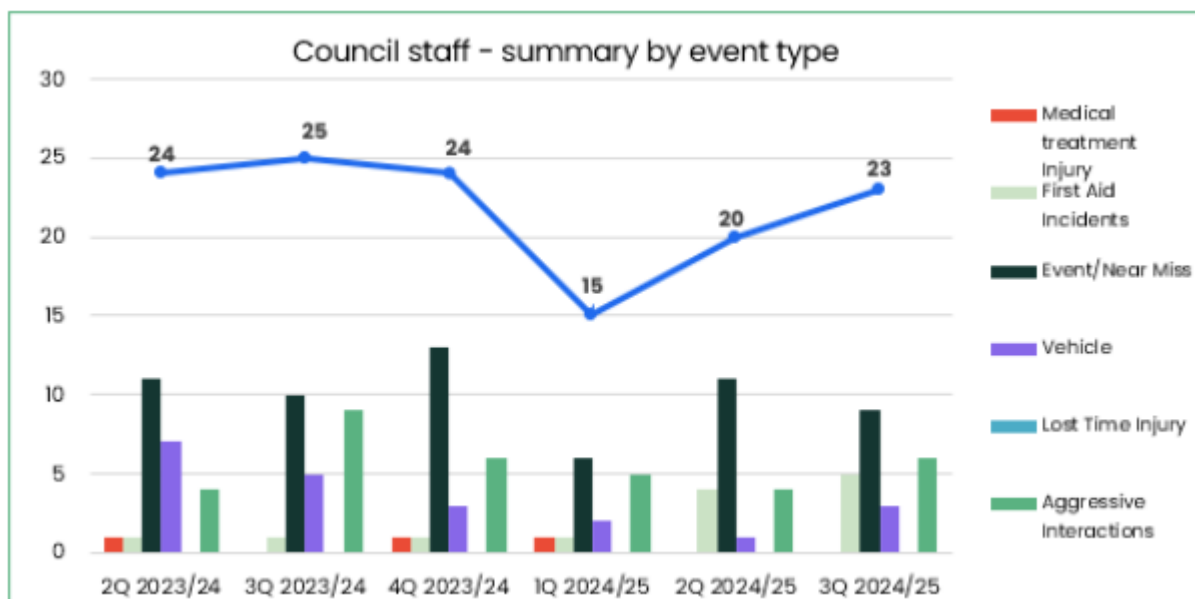
A contractor suffered a thumb injury when a ratchet strap failed while tensioning a steel installation, causing the steel hook to recoil and strike the worker. The impact caused lacerations, bruising, and nail damage. Fortunately, it didn't strike a more vulnerable area, like the face or head. The investigation revealed that the ratchet straps were not regularly inspected despite exposure to harsh environmental conditions. The contractor has replaced all straps and introduced a regular inspection schedule. A Safety Alert was shared internally and externally to raise awareness.

**REVIEW OF PERFORMANCE****Our People Events – Trends**

As noted above, exposure to aggressive or threatening behaviour was the highest contributor in terms of event types (7 of 24). All of these interactions were verbal in nature, and required no medical treatment for impacted staff. Of the remaining events, five required First Aid treatment, with the remaining being No Treatment / Report Only events. Outside of the aggressive/abusive customer interactions, there was no identifiable trend from incidents involving Western Bay staff during the quarter.

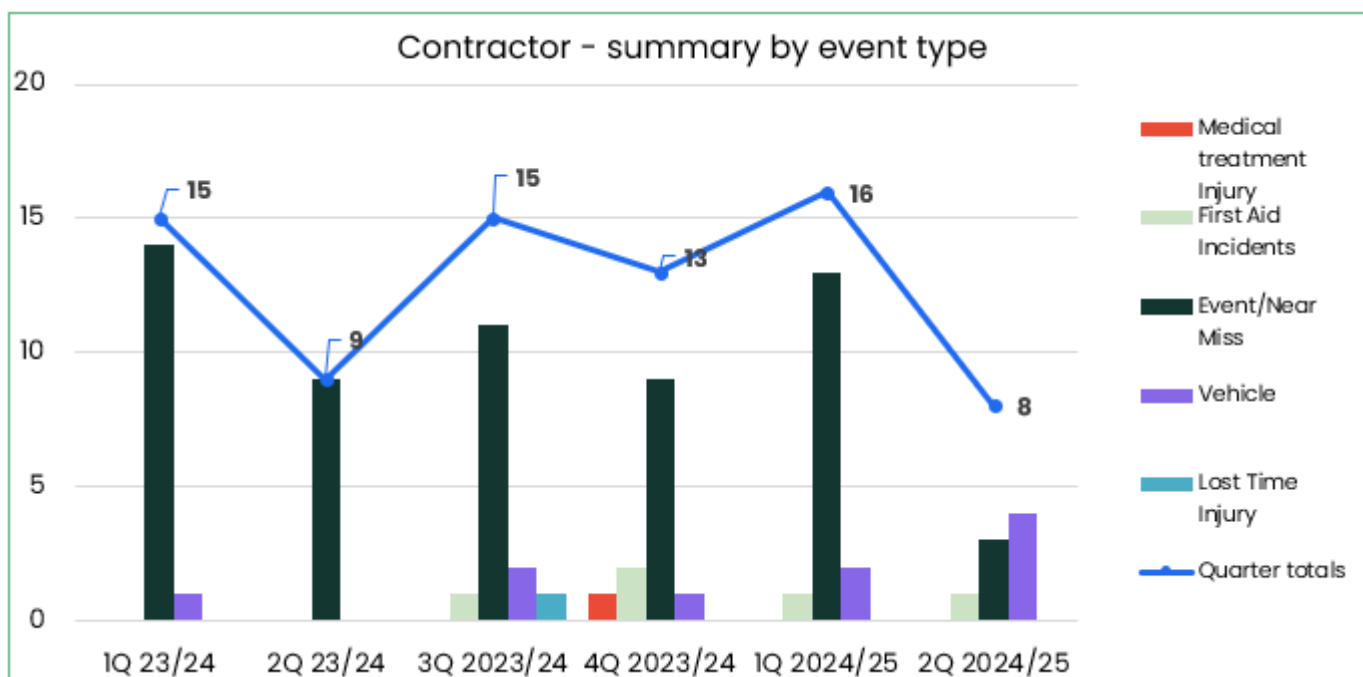
**Mechanism of Event – Previous Quarter**





### Contractor Events

Contractor events increased compared to the previous quarter from 8 to 18. This is not necessarily a negative trend however, as it can show a closer relationship between Council and our contracting partners and may also align with more contractors becoming aware of our reporting expectations through the induction process.

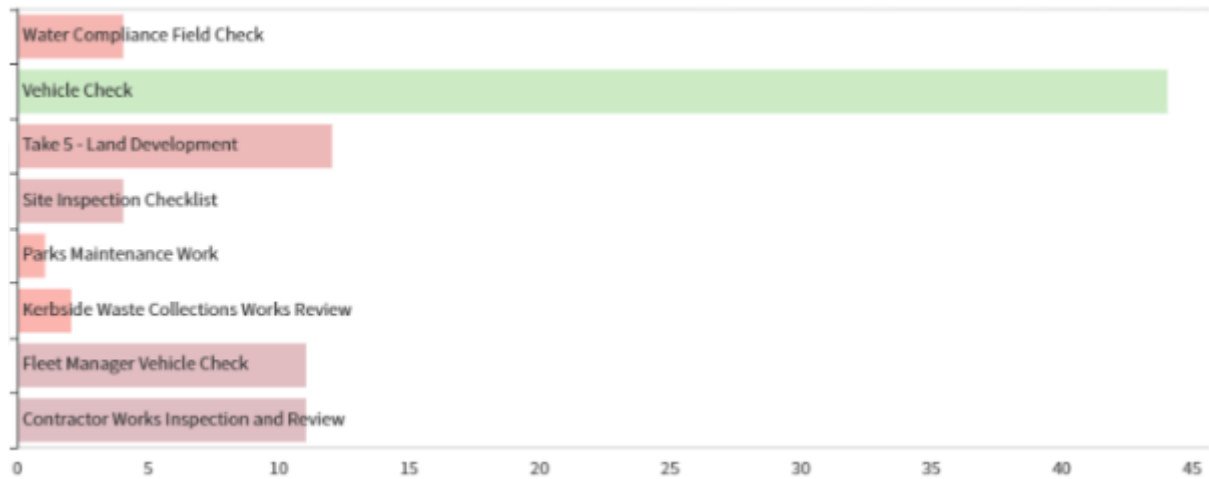


### Lead Indicators

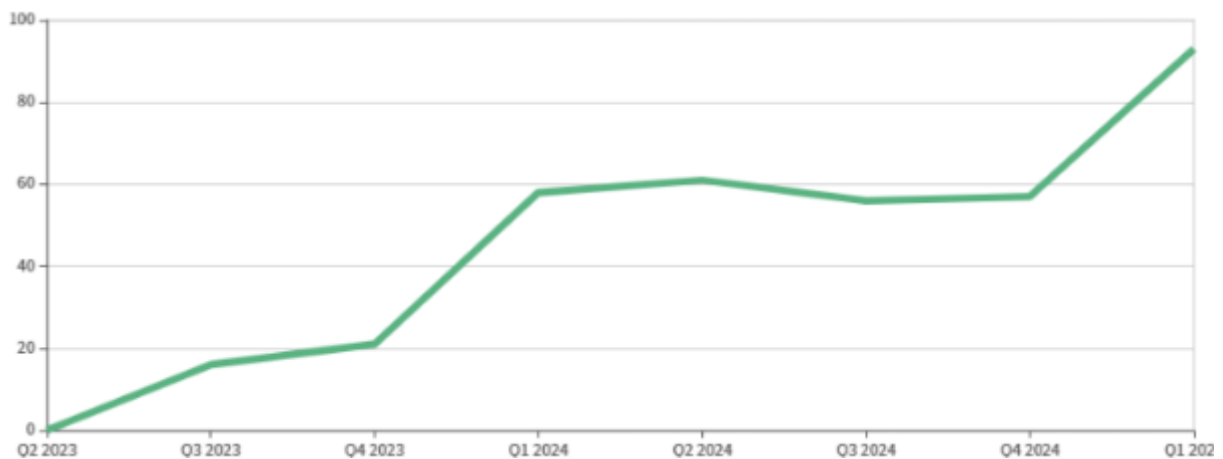
Inspections completed by our people continue to remain higher than the same period last year, capping off a very positive rise in check completed during the calendar year by the teams.

Continuing this momentum will be key as we seek to act on Pillar's recommendations and implement some targets and KPIs around completing these checks.

## Inspections



## Inspections completed by month – last 12 months



## Near Miss Reporting



**Lag Indicators (Accident/Incident Frequency Rates)**

Total Recordable Injury Frequency Rate (TRIFR) remained steady through the quarter, noting that there was a discrepancy with the December 2024 TRIFR in the previous report (due to hours in the system).

The TRIFR remains at an acceptably low rate.

Lost Time Injury Frequency Rate (LTIFR) remains at 0.00.

*NB: A reminder that these frequency rates do not include contractors, as we do not accurately record their hours.*

**WELLBEING**

Albeit to a lower degree this year due to the funding model changing within the Aotearoa Bike Month Challenge, we again offered bike servicing and group rides through **Aotearoa Bike Month**. In lieu of the official competition, an online group was established for people to capture their rides, with spot prizes available

Staff were invited to information sessions regarding **KiwiSaver and the SuperEasy scheme** available to local government staff. These were well attended.

**My Everyday Wellbeing (MEW)** continue to provide good wellbeing resource for our teams, and they have provided engagement statistics for the previous six months.

- We used the platform 1,135 times during the 6 month period, hitting 4,287 individual pages in the process.
- 54% of our staff are using the platform outside of the Western Bay network, indicating there is value being gained while at home also.
- 56% of staff open health and fitness related emails from MEW (compared to a benchmark of 15%)

**MEW's live webinars** continue to be attended by our people also.

Smaller staff groups are creating **special interest groups among peers** to enhance inclusivity, physical and mental wellbeing, notably the weekly Run Club from Barks Corner, and a group of golfing enthusiasts regularly engaging in twilight golf.

**10.2 AUDIT MANAGEMENT REPORT 2023/24****File Number:** A6699018**Author:** Jonathan Fearn, Chief Financial Officer**Authoriser:** Adele Henderson, General Manager Corporate Services**EXECUTIVE SUMMARY**

1. The purpose of this report is to provide Elected Members an opportunity to review the Audit Management Report on the audit of Western Bay of Plenty District Council for the year ended 30 June 2024.

**RECOMMENDATION**

That the Chief Financial Officer's report dated 4 June 2025 titled 'Audit Management Report 2023/24' be received.

**BACKGROUND**

2. The final audit Management Report (the report) was issued on 07 May 2025 and has been reviewed by the Management Team. Management comments have been provided setting out proposed actions and areas for improvement in response to audit findings provided in the report.

Audit New Zealand issued an unmodified audit report on 18 February 2025. This means that Audit New Zealand was satisfied with the financial statements and statement of service performance fairly reflected Council's activity for the year and financial position at the end of the year.

3. Matters raised in Audit New Zealand's audit plan, together with other findings and areas of focus, are noted in sections 3 (page 13) and section 4 (page 13) of the report.

**ATTACHMENTS**

1. **Audit Management Report 2023/24** 

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Report to the Council on the audit of

Western Bay of Plenty District Council

For the year ended 30 June 2024

Contents

Key messages .....	3
1        Recommendations.....	4
2        Our audit report.....	7
3. Matters raised in the Audit Plan .....	10
4. Significant matters identified during the Audit .....	13
5. Public sector audit.....	19
6. Useful publications.....	21
Appendix 1: Status of previous recommendations.....	25
Appendix 2: Disclosures .....	34

## Key messages

We have completed the audit of Western Bay of Plenty District Council (the Council) for the year ended 30 June 2024. This report sets out our findings from the audit and draws attention to areas where the Council is doing well and where we have made recommendations for improvement.

### Audit opinion

We issued an unmodified audit report on 18 February 2025. This means we were satisfied that the financial statements and statement of service performance present fairly the Council's activity for the year and its financial position at the end of the year.

### Matters identified during the audit

#### Asset valuations

We reviewed the revaluations and fair value assessments to confirm that they were soundly based and had been correctly accounted for in the Council's financial statements.

#### Quality and timeliness of information provided to Audit NZ

The annual report and audit process did not go as smoothly as anticipated, and this created additional challenges to both management and us in completing the audit within the statutory deadline. This meant the annual report was adopted by Council after the statutory deadline. We will seek recoveries for the additional audit costs incurred. Looking forward, we will meet with management to determine how to improve the efficiency of the annual report process.

#### Issues identified, open and closed during the audit

Sixteen recommendations were closed, while thirteen previous issues remain open. There were ten new recommendations raised in the current audit period.

### Thank you

We would like to thank the Council, management and staff for the assistance received during the audit. We appreciate the co-operation we received, and the way management worked with us.



Leon Pieterse  
Appointed Auditor  
7 May 2025



# 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	<p><b>Needs to be addressed <i>urgently</i></b></p> <p>These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.</p>
Necessary	<p><b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.</p>
Beneficial	<p><b>Address, <i>generally within six to 12 months</i></b></p> <p>These recommendations relate to areas where the is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p>

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p><b>Analysis of cost information for infrastructure assets</b></p> <p>We expect the District Council to have used the following cost information sources when developing standardised unit rates for infrastructure assets.</p>	4.1	Necessary
<p><b>The Local Authorities Act 1968 – approval for transactions over \$25,000</b></p> <p>Councillors need to obtain prior approval for transactions above \$25,000 in the financial year with the Council.</p>	4.2	Necessary

Recommendation	Reference	Priority
<b>Performance Measure: Roading - Response to service requests</b> Within the Roading System the completion date and time was recorded and not the response date and time. Audit recommends that both the CRM system and the reports be updated to include response time and date.	4.3	Necessary
<b>Approval and Timeliness for PPE Additions and Disposal</b> All Asset additions and disposals are to be authorised in a timely manner in line with Council's policy.	4.4	Necessary
<b>Capital Work In Progress (WIP) Reconciliation</b> Monthly reconciliations of WIP should occur and be appropriately reviewed.	4.6	Necessary
<b>Ozone – Large number of generic user accounts</b> The use of shared / generic accounts be limited to only those required for the business. Regular reviews of all user accounts should be performed to ensure no inappropriate accounts are created.	4.8	Necessary
<b>Unposted journals</b> The Council to improve its processes around journals and uses the functionality within Ozone to stop journals from being unposted and cancelled after they have been posted.	4.9	Necessary
<b>Compliance with Section 54A of the Local Government Act</b> The Council should promptly publish the summary of members' pecuniary interests to ensure compliance with Act.	4.12	Necessary
<b>All sensitive expenditure to have on-up approval</b> All expenditure including sensitive expenditure to have on-up approval.	5.1	Necessary
<b>Improve reconciliation process of credit cards</b> The Council implements a more robust system of reconciling the Credit Card & P-Card transactions monthly.	5.2	Necessary

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations at the end of the prior period		27	2	29
New recommendations in the current period		10		10
Implemented or closed during 2024		16		16
<b>Total</b>		<b>21</b>	<b>2</b>	<b>23</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit report on 18 February 2025. This means we were satisfied that the financial statements and statement of service performance present fairly the Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters. Refer to sections 3 and 4 for further detail on these matters.

### 2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed below. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Assets (Other)	1	1,388,979			
Other Revenue	1				(1,388,979)
<b>Total</b>		<b>1,388,979</b>			<b>(1,388,979)</b>

#### Explanation of uncorrected misstatements

- 1 The aggregate gain on sale of the Omokoroa Special Housing development not recognised as a gain on disposal and still recognised in work in progress. This was considered immaterial for adjustment by Management.

**2.3 Uncorrected disclosure deficiencies**

Detail of disclosure deficiency	Explanation of why not corrected
Gains/(losses) on asset revaluations for 2023 in the statement does not agree to the movement note 28 equity movement in revaluation reserves and the prior period error disclosure in note 1 by \$1.2mil.	This was considered immaterial for adjustment by Management.
Valuation reserve balance for carbon credits in note 22, the prior period error disclosure in note 1 and note 28 do not agree.	This was considered immaterial for adjustment by Management.

**2.4 Uncorrected performance reporting misstatements**

There are no uncorrected performance reporting misstatements.

**2.5 Corrected misstatements and disclosure deficiencies**

We also identified a large number of misstatements and disclosure deficiencies that were corrected by management. A list of these misstatements has been supplied separately to management.

**2.6 Corrected performance reporting misstatements**

We identified performance reporting misstatements that were corrected by management. A list of these performance reporting misstatements has been supplied separately to management.

**2.7 Quality and timeliness of information provided for audit**

Management needs to provide information for audit relating to the annual report of the Council. This includes the draft annual report with supporting working papers. Audit Dashboard was used again in 2024 that provided a list of the information and the dates we required the information to be provided to us. Discussions were also held with management throughout the entire process around audit expectations and timing.

The annual report and audit process did not go as smoothly as anticipated, and this created additional challenges to both management and us in completing the audit. The audit team were onsite from 21 October 2023 and received the first draft of the Annual Report noting this draft was incomplete. We identified a significant number of misstatements in the Annual Report and as a result we spent additional time and costs to complete the audit. There were more than twenty drafts of the Annual Report provided to us during the course of the audit and number of unofficial drafts. This meant the annual report was adopted by Council after the statutory deadline. We are seeking approval from the Office of the Auditor General for an

additional fee recovery for the resultant additional audit work which was over and above that envisaged when the fee was negotiated.

Looking forward we will be meeting with management to determine how to improve the efficiency of the annual report and audit process. We will therefore be extremely clear about our delivery expectations that will be closely monitored by both the Appointed Auditor and Audit Manager. Any concerns with timeliness and quality of the information provided will be promptly communicated to the Chief Executive, Chair of the Audit and Risk Committee and the Mayor.

From our perspective, the Council will need to reconsider their current approach to the annual report and audit process. There needs to be strong project management in place together with strong quality mechanisms over the information provided for the audit. Any significant issues or risks need to be flagged as early as possible that are supported by robust workpapers (including external technical advice where required) on significant judgements. Implementing this process should improve the efficiency of the upcoming annual report and audit processes.

#### **Management comment**

*Council staff agree with that the Annual Report and Audit process did not proceed as smoothly as both parties would have liked. The delayed start to the Audit and preparedness of Council, created delays in the completion and adoption of the Annual Report. The main reason for the delay was the legislative change for Councils to delay their LTP adoption, and implications from this (and audit availability).*

*The final completion process was delayed by a technical audit review being necessary for Audit NZ clearance and this contributed to multiple additional versions of the Annual Report being necessary. In hindsight staff would have insisted that the process be given an earlier focus as it related to a prior period adjustment.*

*An internal review and a review with Audit NZ was completed subsequent to Annual Report adoption this has driven a new planning and project management process. This new process has commenced for Annual Report 2025 and includes an interim structure change in the finance team to improve the focus on financial reporting.*

*The timelines and project plan for Annual Report 2025 is targeting completion ahead of the 31 October statutory deadline. However, consideration of Audit NZ availability and an interregnum period for Council is still being confirmed.*

### 3 Matters raised in the Audit Plan



In our Audit Plan of 13 February 2024, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Fair value of assets (significant audit risk)</b>	
<p>This year the following asset classes are not revalued:</p> <ul style="list-style-type: none"> <li>• Three water assets.</li> <li>• Roading assets.</li> <li>• Land and buildings.</li> </ul> <p>Fair value assessments were completed for these classes of assets to confirm that there is no material difference between their carrying amount and their fair value.</p> <p>The only asset class that Council revalued was forestry, as at 30 June 2024.</p>	<p>Fair value assessments were undertaken prior to balance date.</p> <p>The assessment did not indicate a significant movement in these asset classes.</p> <p>We reviewed the assessment provided by management. This included confirming the index information to source documentation and considering other information on price movements available to us.</p> <p>We concluded the assessments completed by the District Council were reasonable and no other valuations were considered necessary in the current period.</p> <p>We obtained confirmations from the forestry external valuers regarding their methodology and compliance with the relevant valuation and accounting standards. We tested valuation assumptions/unit rates to recent market rates and other supporting information where available.</p> <p>We concluded the valuations were based on reasonable assumptions and supporting information. The information was appropriate for inclusion in the financial statements. We also confirmed the valuation movements were correctly recognised in the financial statements.</p>
<b>Major capital projects (area of audit focus)</b>	
<p>The District Council continues to have a significant ongoing capital programme. A number of capital projects are either underway or about to commence of which the major ones are:</p>	<p>We reviewed additions to the fixed asset register. We also reviewed the Work in Progress (WIP) asset class and confirmed that all projects that were completed during the year have been capitalised. We also confirmed that any significant items still</p>

Audit risk/issue	Outcome
<ul style="list-style-type: none"> <li>• Water: Eastern Supply to Rangiuru Business Park.</li> <li>• Wastewater: Te Puke Treatment Plant Upgrades.</li> <li>• Transport: Omokoroa Urbanisation and Structure plans.</li> <li>• Storm water: Waihi Beach 2 Mile Creek West Bank.</li> </ul> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects.</p>	<p>included in WIP were incomplete at balance date.</p> <p>We noted that there was a WIP class which had a negative balance and raised this with Council. It was noted that this was to do with the aggregate gain on sale of the Omokoroa Special Housing development not correctly recognised in the prior year. It was not corrected in the prior year due to it not being material, and it was not corrected in the current year for the same reason.</p> <p>We further reviewed projects that had little or no movement to their balances during the audit period and confirmed there were no indications of impairment.</p> <p>Commitments were separately tested, which included assessing the progress for the longer-term projects and ensured an appropriate value for commitments outstanding at balance date was recorded.</p> <p>We concluded the balances in WIP are reasonable, valid, and appropriately classified at balance date.</p> <p>We have made recommendations to improve the process of accounting for property, plant and equipment. Refer to section 4 below.</p>
<b>The risk of management override of internal controls (significant audit risk)</b>	
<p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p>	<p>We undertook the following work to address this risk:</p> <ul style="list-style-type: none"> <li>• We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. No issues were identified as a result of this review.</li> <li>• We also reviewed the material accounting estimates (such as those included in the fair value of property, plant and equipment, the impairment of PPE held at cost and the provision for impairment of receivables) for bias. No concerns were identified.</li> </ul>



Audit risk/issue	Outcome
	<ul style="list-style-type: none"><li data-bbox="852 356 1300 638">• We did not identify any other significant transactions that are outside the normal course of the District Council's business, or that otherwise appear to be unusual given our understanding of the District Council and its environment and other information obtained during the audit.</li></ul> <p data-bbox="852 656 1251 716">We have no areas of concern to bring to your attention.</p>

## 4 Significant matters identified during the Audit



We have identified, in broadly this order of importance, these significant matters, issues, or risks in this audit.

### 4.1 Analysis of cost information for infrastructure assets

Valuations of most infrastructure assets use the depreciated replacement cost method, and this has a significant impact on the carrying value of the District Council's assets. It takes considerable time to audit these valuations as we seek to ensure the unit rates used as the basis of the valuation are appropriate and reasonable for financial reporting purposes.

We expect the District Council to have used the following cost information sources when developing standardised unit rates:

- Recent contract information;
- Sizable renewal programme information; and
- Vested asset information.

We reiterate that such information will be requested every year that a material class of infrastructure assets is revalued on the depreciated replaced cost method. This is typically transportation and three waters assets. As the District Council is currently in the process of constructing several buildings, we would also be interested in similar data for the next revaluation of building assets also.

This information will also be important for developing expectations fair value movements between planned revaluation cycles.

#### Recommendation

Annual provision of the detailed contract information for recent infrastructure projects.

#### Management comment

*Management consider that Council processes already meet the recommendation made by Audit. Further discussion will be held with Audit during the planning phase of Annual Report 2025 to confirm the approach required.*

*Currently Three Waters and Transport assets are revalued every three years, on subsequent years, there is a fair value adjustment made. This task is completed by an independent expert valuer, with the adjusted unit rate subsequently updated annually in our asset management system.*

*Reserves, Coastal Marine, Cycleways, Solid Waste assets are revalued every three years. During non-revaluation years an adjustment is made based on the market movement of that asset category. This valuation is done in house using recent projects or if no recent project has been carried out, current purchase cost is sought from suppliers with an adjustment also added for overheads. These adjusted unit rates are updated in our asset management system annually.*

*Forestry is revalued annually.*

*Land and Buildings are revalued every three years, on subsequent years, there is a market movement adjustment added. This task is completed by an expert valuer. These new values are then updated in our accounting system.*

#### **4.2 The Local Authorities Act 1968 – approval for transactions over \$25,000**

##### **Background**

It was noted that a Councillor had not obtained the necessary approval from the Office of the Auditor-General (OAG) for transactions above \$25,000 between the Council and an entity they had a pecuniary interest in. Per The Local Authorities Act 1968, the Act governs the pecuniary (financial) interests of members of local authorities. It controls the making of contracts worth more than \$25,000 in a financial year between members and the local authority. We do note the Councillor received retrospective approval from the OAG.

##### **Recommendation**

Councillors need to obtain prior approval for transactions above \$25,000 in the financial year with the Council.

##### **Management comment**

*Council acknowledges the recommendation. Council has implemented monthly reporting of all Councillor related transactions to ensure identification of all interests directly relating to Councillors to ensure full transparency. A refresh of this requirement will form part of new Councillor induction post elections in 2025.*

*As noted by Audit NZ, immediate action was taken by Council on the identification of such transaction, this was referred to and subsequently approved by the Office of the Auditor-General.*

#### **4.3 Performance Measure: Roading - Response to service requests**

##### **Background**

For the non-financial measure “The percentage of customer service requests relating to roads and footpaths to which Council responds within 15 working days”, the Council was recording the completion date and time to the service request. However, the target is measuring the response date and time of the Council to the service request.

This meant the Council had to retrospectively update the results with information available. We tested the updated information and are satisfied the result reported in the annual report is materially correct.

**Recommendation**

Both the service request system and the reports be updated to include response time and date.

**Management comment**

*We acknowledge the audit's findings regarding the recording of completion dates instead of response dates for the non-financial measure "The percentage of customer service requests relating to roads and footpaths to which Council responds within 15 working days".*

*In response to this, we have implemented a new mandatory calendar field in our service request system on all Transportation Service Requests (SRs) called "First Response Sent." This field ensures that a Transportation SR cannot be closed without inputting the date when the first response was sent.*

*This change allows us to accurately track and report the response time to service requests. Additionally, we can export this data into a spreadsheet and compare the received date and first response sent date to calculate the 15 working days, ensuring compliance with the target measure.*

**4.4 Approval and Timeliness for PPE Additions and Disposal****Background**

It was noted on multiple different occasions that there was not adequate approval for the addition or disposal of assets within the financial management system. It was also noted on other occasions these were not performed in a timely manner. We do note the additions and disposals were valid.

**Recommendation**

All Asset additions and disposals are to be authorised in a timely manner in line with Council's policy.

**Management comment**

*Process improvements have been undertaken. A new project management framework has been developed and implemented and will address the timely closure of projects including the capitalisation of the project. The Gate 3 – Project Completion form contains a capitalisation approval section.*

**4.5 Reconciliation of WIP had not been occurring****Background**

It was noted that the reconciliation of Capital WIP had not been occurring. The last reconciliation was performed in June 2023.

**Recommendation**

Monthly reconciliations of WIP should occur and be appropriately reviewed.

**Management comment**

*A review of current processes has been undertaken. Improvements with reporting and collaboration between finance and the asset team has been undertaken including the allocation of a dedicated resource in the assets team supports monthly reconciliations and the clearance of work in progress in a timely basis. These improved processes also prepare for an increased capital work programme over the next few years.*

**4.6 Ozone – Large number of generic user accounts****Background**

It was noted that there was over 90 generic user accounts in Ozone. This raises the risk of inappropriate use of these accounts.

**Recommendation**

The use of shared / generic accounts be limited to only those required for the business. Regular reviews of all user accounts should be performed to ensure no inappropriate accounts are created.

**Management comment**

*Council understands the reasons for the recommendation above, however generic users accounts are created for specific purposes that we consider adds to our control environment.*

*External generic account logins are associated with a specific supplier company, allowing us to identify who and where the user is. Each contractor is required to sign our IT Acceptable Use Policy, acknowledging that their login credentials are for individual use only and must not be shared. When we are notified of a new hire or leaver, we update our records and suspend the login. This information is noted in our Active Directory.*

*Internal shared accounts are integral to the setup of our cash tills. Each cash till has its own unique login, which is specific to the machine and cash till. This means that a login associated with one cash till cannot be used to access another cash till. This setup helps us avoid the need for multiple staff members to log on and off the machines while assisting customers. A roster is maintained that tracks which staff members are using each common login at any given time. The roster also notes who the 1-2 backup users are for each login. Additionally, security cameras also provide further oversight in case any issues arise.*

*While we do not delete suspended or inactivated accounts in our system, these are reviewed regularly for appropriateness. These accounts are held for auditing purposes to enable traceability into the user that completed the actions. In addition some staff are seasonal and require access at different times. We are comfortable that sufficient controls are in place.*

**4.7 Unposted journals****Background**

Audit has identified a journal that was selected for journals testing that was subsequently unposted and cancelled after year end. It was then replaced with a new journal after year end. We do note the deleted journals and the journal that replaced the deleted journal were for a valid business purpose.

**Recommendation**

The Council improves its processes around journals and uses the functionality within Ozone to stop journals from being unposted and cancelled after they have been posted. Council should be completing a reversing journal if they want to correct the journal and then raise the new Journal to ensure a comprehensive trail of the accounting treatment of the matter.

**Management comment**

*Council agrees with this, and has implemented monthly monitoring reporting to ensure all journals posted are reversing journals and not cancelled journals.*

**4.8 Compliance with Section 54A of the Local Government Act****Background**

Section 54A(3) of the Local Government Act specifies that a summary of the information contained in the Register of member's pecuniary interests be made publicly available by the Council. We note that this was not done.

**Recommendation**

The Council should promptly publish the summary of members' pecuniary interests to ensure compliance with Section 54A(3) of the LGA, and also enhance its internal processes to better ensure ongoing compliance with this legislation.

**Management comment**

*The Council Governance team maintains and publishes the Pecuniary Interests Register. This is redacted as necessary and published on the Council website.*

## 5 Public sector audit



The Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely, and in the way, the Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by ;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the or by one or more of its members, office holders, or employees.

We identified the following matters relating to sensitive expenditure:

### 5.1 One-up approval required for sensitive expenditure

It was noted the CEO and Mayor approve each other's sensitive expenditure.

#### **Recommendation**

All expenditure including sensitive expenditure to have one-up approval. In the instance of the Mayor's expenditure, the recommendation would be to have the Audit and Risk committee Chair or the deputy mayor approve Mayoral expenditure.

#### **Management comment**

*Council agrees with this recommendation, Mayoral sensitive expenditure will be approved by either the Deputy Mayor or the Audit, Risk and Finance Committee Chair, and the Chief Executive Officer in line with Council's Sensitive Expenditure Policy.*

### 5.2 Improve reconciliation process of credit cards

A credit not issued to a staff member had an unauthorised transaction. However it was identified several months after the transaction and the bank could no longer reverse the transaction.



**Recommendation**

The Council implements a more robust system of reconciling the Credit Card & P-Card transactions monthly. This is to be completed even when the cards have not been issued or used by the card holders. This will allow Council to identify whether there have been any unusual transactions on the cards and lay a claim with Westpac for Fraudulent transactions to claim the funds back.

**Management comment**

*Staff perform monthly reconciliations of credit cards and p-cards that they are responsible for with an approval process following this reconciliation. This includes following up on specific transactions and providing documentation where required.*

*A closer review and monitoring of this process has been implemented by Finance to ensure a monthly completion of this process by card holders and approvers.*

## 6 Useful publications



Based on our knowledge of the , we have included some publications that the and management may find useful.

Description	Where to find it
<b>Performance reporting</b>	
Performance reporting is an essential part of the public sector's accountability to New Zealanders. Performance reporting is important, but it can also be difficult. This guide is to help those in the public sector who are responsible for preparing performance reports to find and use the many resources the OAG have made available.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">A guide to our resources to support better performance reporting</a>
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">The problems, progress, and potential of performance reporting</a>
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice.  Link: <a href="#">Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)</a>
<b>Local government risk management practices</b>	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Observations on local government risk management practices</a>
<b>Public accountability</b>	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use	On the Office of the Auditor-General's website under publications.

Description	Where to find it
of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	Link: <a href="#">Building a stronger public accountability system for New Zealanders</a>
<b>Setting and administering fees and levies for cost recovery</b>	
This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Setting and administering fees and levies for cost recovery: Good practice guide</a>
<b>Managing conflicts of interest involving council employees</b>	
This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Getting it right: Managing conflicts of interest involving council employees</a>
<b>Model financial statements</b>	
Our model financial statements reflect best practice. They are a resource to assist in improving financial reporting. This includes: <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	Link: <a href="#">Model Financial Statements</a>
<b>Tax matters</b>	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On our website under good practice.  Link: <a href="#">Tax Matters</a>

Description	Where to find it
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a collection of resources called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: <a href="#">Client Substantiation File</a></p>
<b>Sensitive expenditure</b>	
<p>The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General's website under good practice.</p> <p>Link: <a href="#">Sensitive expenditure</a></p>
<b>Severance payments</b>	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG's website under 2019 publications.</p> <p>Link: <a href="#">Severance payments</a></p>
<b>Good practice</b>	
<p>The OAG's website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> </ul>	<p>On the OAG's website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>

Description	Where to find it
<ul style="list-style-type: none"> <li>discouraging fraud;</li> <li>good governance;</li> <li>service performance reporting;</li> <li>procurement;</li> <li>sensitive expenditure; and</li> <li>severance payments.</li> </ul>	
<b>Procurement</b>	
Value for money is an important measure of public sector performance that helps public organisations to strike the right balance between what is spent and what is achieved. In this article, the Auditor-General describes the public sector's challenge with defining, assessing, the reporting on value for money.	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: <a href="#">Value for money – a simply complex problem</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Asset Management Planning</b>		
Review and, where appropriate, implement the recommendations as per our LTP's report on asset management.	2023/24	<p><b>In progress</b></p> <p>The Council is working through the issues raised in the report, which had not all been resolved at the time of our final audit.</p> <p><b>Management comment</b></p> <p><i>New resources, processes and procedures are in the process of being put in place to address these issues. Most are already in place with some coming online soon after staff training is given.</i></p>
<b>Improvements to the procurement process</b>		
<p>An independent one-up review of key procurement and contract management documentation to be undertaken throughout the process to ensure all documentation is in-line with the Procurement Manual requirements.</p> <p>The Procurement Manual and Variation Order form to be updated to provide clear criteria or thresholds for when a variation requires to go to open tender.</p>	2018/19	<p><b>In progress</b></p> <p>The Council has started a review of its procurement process and this is still in progress.</p> <p><b>Management comment</b></p> <p><i>Council's website has been updated to share the Procurement Principles and Policy (of the Procurement Framework) and remove the Procurement Manual. <a href="https://www.westernbay.govt.nz/council/information-for-contractors-and-suppliers">https://www.westernbay.govt.nz/council/information-for-contractors-and-suppliers</a>.</i></p> <p><i>Procurement Improvement Programme has been completed. This provides an overview of how the Procurement Framework Toolkit will be developed. The Toolkit is in progress to be rolled out in 2025.</i></p> <p>We recommend this action be closed.</p>

Recommendation	First raised	Status
<b>Review of network and applications user accounts</b>		
We recommended cyclical reviews of network and application users to ensure access remains appropriate.	2019/20	<p><b>In progress</b></p> <p>We noted that review of accounts at the network level is occurring. At the application level, a regular formal review is being recommended.</p> <p><b>Management comment</b></p> <p><i>Council agrees with this approach, this has been allocated to our Chief Information Officer to ensure this becomes a part of the regular review.</i></p> <p>We recommend this action be closed.</p>
<b>Reconciliation of Univerus/Assetfinda (the various asset management systems) to the general ledger</b>		
The two systems (the asset management systems and financial management system) be updated simultaneously, so that they agree. In addition to this, Council should perform reconciliations at least once a year between the two systems.	2019/20	<p><b>In progress</b></p> <p>It was noted that the Asset Management System was not being updated at the same time as the Financial Management Information Systems, which meant that the two systems held different information.</p> <p><b>Management comment</b></p> <p><i>Capitalisation in Ozone will be done quarterly rather than annually. Reconciliations will be completed at a set frequency throughout the year as required.</i></p>
<b>Assets in use held at nil book value</b>		
We recommend that the useful lives for all assets that remain in use after exceeding their useful lives be reviewed annually.	2020/21	<p><b>In progress</b></p> <p>The District Council has several assets held at nil book value, despite the assets remaining in public use.</p> <p>The total replacement cost for these assets and the estimated depreciation impact is not considered material based on the materiality thresholds we have set for this year's audit.</p>

Recommendation	First raised	Status
		<b>Management comment</b>  <i>A process is in place to review the useful lives of all assets that remain in use upon exceeding their useful lives. This will also impact subsidiary fixed asset registers that aggregate to Ozone AMS.</i>
<b>Disposal of revalued assets</b>		
We recommend that the Council review processes relating to the disposal of revalued assets to ensure the accounting treatment for the transfers in and out of equity are appropriate.	2020/21	<b>In progress</b>  This did require additional work by both the District Council and the audit team to get the accounting treatment correct.  <b>Management comment</b>  <i>It was identified through the audit that the mapping of posting for disposal transactions is currently mapped to gain/loss on disposal which is currently part of income/expenditure rather than revaluation reserves. This is planned to be resolved as part of the Annual Report where disposal transactions will be reversed out to retained earnings to reflect correct accounting treatment.</i>
<b>Performance Measure - dry weather overflows</b>		
We recommend that the Council implement a robust review process of the underlying data supporting the reported results for the “dry weather sewerage overflow” measure to ensure accurate reporting of events meeting the DIA definition.	2020/21	<b>In progress</b>  We continue to recommend that the data is reviewed to ensure the DIA definition is met.  <b>Management comment</b>  <i>Council will review current processes to ensure alignment with the DIA definition where practicable.</i>
<b>AS-Built check sheet</b>		
We recommend that all supporting documents are maintained and readily available for checks as and when required.	2021/22	<b>In progress</b>  We still had challenges with the District Council to readily provide all supporting



Recommendation	First raised	Status
		documents to confirm assets additions agreed to the as-builts.  <b>Management comment</b>  <i>A new project management framework has been established with sign off sheets developed to address this issue.</i>
<b>Bonds and Fees not reviewed regularly</b>		
We recommend that management review the outstanding bonds and fees to be refunded/written off.	2021/22	<b>In progress</b>  We continue to recommend that management review the outstanding bonds and fees to be refunded/written off.  <b>Management comment</b>  <i>This process has been established within the monthly reconciliation of Council's balance sheet. Any aged/outstanding bonds are to be reviewed by management on a quarterly basis to ensure appropriate write offs/refunds.</i>
<b>Work-In-Progress (WIP) not accurately valued</b>		
We recommend that job costs are tracked and allocated to projects in a timely manner and that completed projects are closed and allocated to additions in a timely manner.	2022/23	<b>In progress</b>  We noted an improvement in this, however also noted an instance where there was a negative WIP balance in one of the asset classes, that hadn't been dealt with prior to year-end. Refer note 2.1.  <b>Management comment</b>  <i>Council is working with a project management framework now to provide better control and visibility of job costs. The Asset Solutions team is regularly reviewing job cost transactions and noting errors required to be fixed by Finance.</i>

Recommendation	First raised	Status
<b>Valuation of Transportation Infrastructure Assets</b>		
We recommend that when an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued.	2022/23	<p><b>In progress</b></p> <p>We found instances where only some assets in a class were revalued. This year the amount was below clearly trivial for audit purposes.</p> <p><b>Management comment</b></p> <p><i>All asset classes are now included in revaluations.</i></p>
<b>Beneficial</b>		
<b>Contract management system</b>		
Consider improving the functionality of the District Council's contract management system.	2017/18	<p><b>Outstanding</b></p> <p>Based on prior discussions with the procurement team, no further progress has been made with regards to the Contract Management functionality.</p> <p><b>Management comment</b></p> <p><i>New ERP Project is currently at the evaluation stage of the tender.</i></p> <p><i>Procurement contributed to scenario workshops (Stage 3) that covered the contract management functionality.</i></p> <p><i>Refer to the CIO for an update about the ERP Project.</i></p> <p><i>Procurement continues to capture contract information in its Excel Procurement Database (spreadsheet).</i></p>
<b>Valuations – Recommendations from Valuers for improvement</b>		
We recommend that the Council implements the recommendations made by the Valuers for improvements for future valuations.	2022/23	<p><b>In progress</b></p> <p>Council have advised that they will review the valuer's recommendations and implement where practical. We will comment on this point when we complete the next revaluation.</p>

Recommendation	First raised	Status
		<b>Management comment</b>  <i>Council will continue to implement relevant recommendations as required as a result of valuer recommendations.</i>

### Implemented or closed recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Land purchases - second-hand goods input tax credit</b>		
The Council should ensure that it has process in place to ensure the correct GST treatment of land purchases and sales.	2022/23	We have noted no incorrect treatment of GST for land purchases and sales in the current year. We consider this matter closed.
<b>External review of GST and FBT Compliance</b>		
We recommend that the Council implements the recommendations issued by PwC in their GST and FBT compliance reports. Priority must be given to those recommendations identified by PwC as high-risk.	2022/23	We have noted the implementation program was on track for June 2024, and was to be tabled for the next ARC meeting. No issues in the current year with the compliance of GST and FBT. We consider this matter now closed.
<b>Review of users with database administrator rights</b>		
We recommend that users with database administrator rights to the Ozone accounting system be reviewed by an independent authorised staff member.	2022/23	Our 'Information Services Audit and Assurance' team have reviewed this in the current year, and have not brought this matter to our attention. We therefore consider this matter now closed.
<b>CCO Annual Reports</b>		
We recommend that the Council upload the outstanding audited annual reports as soon as possible and that going forward the annual reports of the CCO's are uploaded within one month of receiving them.	2022/23	We note that Council's website is now updated with current CCO annual reports. We consider this matter now closed.

Recommendation	First raised	Status
<b>Formalisation of the procurement delegations</b>		
We recommend procurement delegations in Ozone to be reviewed and formalised. We also recommend that all access changes to the procurement delegation are reviewed by an independent authorised staff member.	2021/22	We note that Council have now implemented “Locosoft” software which assists in delegations. We consider this matter now closed.
<b>High number of superusers in Ozone and network, including Datacom staff</b>		
Superuser access to Ozone to be limited to as few users as possible to reduce the chance of unapproved changes to systems and data.	2016/17	<p>Ozone superuser access has been reduced and Datacom access locked out except as required.</p> <p>Generic administrator accounts have now been disabled. Audit NZ is of the view that the number of domain administrators at the network level is still too high for the size of the Council.</p> <p>In the prior year, Council’s management have advised that this has been reviewed internally by their IT team, and are happy with the level of Superuser access. They therefore have accepted the risk of this issue. We therefore have closed this issue.</p>
<b>Fraud Policy</b>		
Policies act as a guidance and processes for the entity, we therefore, emphasise on the importance of reviewing the fraud policy on a planned periodic basis.	2021/22	We have noted that the Fraud policy has now been updated. We consider this matter now closed.
<b>Improvements in IT Change Management Process</b>		
<p>All changes made to production environments should follow an approved change process.</p> <p>Procedures for small, medium, large and emergency changes should be established.</p>	2017/18	Council have outlined in the prior year the change management procedures that is undertaken for small, medium, large and emergency IT changes. We consider this issue now closed.
<b>Overclaimed funding from NZTA</b>		
We recommended the Council ensures all emergency work claims to NZTA comply with contract conditions.	2019/20	Waka Kotahi undertook an audit of Council and WSP in relation to emergency works,

Recommendation	First raised	Status
		which came back clear for Council. We consider this matter now closed.
<b>Project Management</b>		
We recommended the Council considers the recommendations from KPMG on Project Management and implements improvements considered appropriate and financially viable.	2019/20	Council have employed a Principal Project Management Advisor during the 23/24 year. Recommendations through the report are being actioned through this resource. We consider this matter now closed.
<b>Sensitive expenditure policies improvements</b>		
We recommend that the Council update the sensitive expenditure policy approvals to ensure one-up approval.	2018/19	We note that the sensitive expenditure policy has been updated as at January 2024. We consider this matter now closed.
<b>Revaluation reports</b>		
We recommend the Council ensures a formal revaluation report is prepared for all revaluations.	2020/21	Full revaluation reports for revaluations were undertaken and received for the 2022/2023 year. We consider this matter is now closed.
<b>Capitalisation date of assets</b>		
We recommend that the Council review the capitalisation process, particularly over capital works, to ensure asset managers are prompted to communicate the completion of work in progress in a timely manner.	2020/21	Council have advised this is now performed on a quarterly basis. From our testing in the current year, we have not noted any issues in this regard. We consider this matter now closed.
<b>Depreciation Accounting Policy</b>		
<p>We recommend that the Council review the depreciation rates applied in the Fixed Asset Register to ensure alignment with the depreciation policy.</p> <p>We recommend that the Council review the schedule of depreciation rates to ensure these are in line with the class of asset to which the asset is classified and align with other local government sector entities.</p>	2020/21	Council have advised that they now have an accounting and asset resource inhouse to manage this. We have noted no issues regarding this in our testing in the current year, so therefore consider this issue closed.

Recommendation	First raised	Status
<b>Undeclared interests</b>		
We recommend that current interest registers are updated to reflect all interests with Councillors and Senior Management. We recommend that management performs their own search of the Companies Office Register and the Charities Register to ensure all interests are identified.	2020/21	Council has completed a register of interest for Senior Management and Councillors, this includes cross checks with the Companies Office Register as well as the Charities Register. We consider the matter is now closed, however we continue to recommend that this cross-check occur at least annually, to ensure that the register is always current.
<b>General Ledger reconciliations</b>		
Ensure all reconciliations are prepared and reviewed in a timely manner to ensure that any problems or inaccuracies can be detected early and rectified.	2017/18	<p><b>In progress</b></p> <p>We continue to note instances where reconciliations have not been prepared or reviewed in a timely manner.</p> <p>We recommend that the reviewer signs-off and dates them to ensure that there is timely review of the reconciliations.</p> <p><b>Management comment</b></p> <p><i>Council has implemented timely reconciliation completion and review, a register is held detailing the frequency, and responsibilities of staff completing and reviewing the reconciliations.</i></p>

## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001. The audit of the financial statements does not relieve management or the of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out engagements in the areas of the Debenture Trust Deed assurance engagement and will a LTP audit, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the District Council.</p>
Fees	<p>The audit fee for the year is \$250,000 as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$10,000 for the review of the Debenture Trust Deed reporting certificate, and \$189,165 for the audit engagements of the 2024-34 Long-term plan Consultation Document and the 2024-34 Long-term plan.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit. We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>



AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 621

Tauranga

3144

Phone: 04 496 3099

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)





**10.3 OUTSTANDING RECOMMENDATIONS REGISTER – MAY 2025****File Number:** A6723455**Author:** Darren Crowe, People and Capability Manager**Authoriser:** Adele Henderson, General Manager Corporate Services**EXECUTIVE SUMMARY**

The Outstanding Recommendations Register (ORR) is to provide the Committee with a progress report on all the recommendations raised through various external and internal audits/reviews. The audits/reviews that are currently in the ORR are recommendations from the following audits/reviews carried out:

- Audit New Zealand Report for the year ended 30 June 2024.
- Cash Controls Review – Report released on 21 December 2022.
- PWC Fringe Benefit Tax (FBT) Audit Report.
- PWC GST Audit Compliance Evaluation

**RECOMMENDATION**

That the People and Capability Manager's report dated 4 June 2025 titled 'Outstanding Recommendations Register – May 2025' be received.

**BACKGROUND**

1. Council maintains a register of recommendations arising from internal and external audits. Each recommendation which follows from a finding that was identified from the audit/review has a management comment.
2. Risk and Assurance Team have carried out the update on the register and obtained feedback from management who are responsible for the area the audit/review that was undertaken and closed where appropriate.
3. Not all recommendations need to be actioned immediately and are assessed and actioned on a priority basis.

**ATTACHMENTS**

1. **Outstanding Recommendations Register June 2025** 



Audit, Risk and Finance Committee 4 June 2025

**The Detailed Outstanding Recommendations Register**

Audit Report	Findings	Recommendation	Responsible Officer	Management Comment/Current Update	Target Date
<b>Audit New Zealand 30th June 2024 – (WBOPDC) External review of GST and FBT Compliance</b>  <b>ISS.51</b>	<p>We note that PwC performed a review of GST and FBT compliance during the financial year and raised recommendations for the Council to implement for improved compliance and processes.</p>	<p>We recommend that the Council implements the recommendations issued by PwC in their GST and FBT compliance reports. Priority must be given to those recommendations identified by PwC as high-risk.</p>	<p>Financial Accounting Lead</p>	<p><b>Updated May 2025</b> This review has been completed, and implementation is progressing and has been included as part of the work programme.</p>	<p>Completed</p>
<b>Work-in-progress (WIP) not accurately valued</b>  <b>ISS.57</b>	<p>We noted during our review of the WIP listing that there were a number of projects with minimal or nil movements between 2022 and 2023 financial years. Projects with minimal or nil movements could be as a result of:</p> <ul style="list-style-type: none"> <li>Job costs that still need to be analysed and allocated to projects;</li> <li>AssetFinda not being set up to record the respective three water assets;</li> <li>Not being able to access the records of culverts to accurately record the cost for Reserves and Omokoroa; and</li> </ul> <p>Completed projects not being transferred to asset additions in a timely manner</p>	<p>We recommend that job costs are tracked and allocated to projects in a timely manner and that completed projects are closed and allocated to additions in a timely manner.</p>	<p>Finance Business Analyst</p>	<p><b>Updated May 2025</b> The Asset Solutions Administrator is actively reconciling all three waters assets for identification of valid WIP and transactions that can be either moved into OPEX or capitalised. They will then move to the other areas in need of reconciling. This is a significant piece of work as there are a significant number of job codes to reconcile. A Finance Business Analyst, Fixed Assets role, will assist in the process once the position is filled.</p>	<p>31 August 2025</p>
<b>Contract Management System</b>  <b>ISS.42</b>	<p>Based on Audit NZ discussions with the Council's procurement team, no further progress has been made with regards to the Contract Management functionality since originally raised in 2017/2018.</p>	<p>Consider improving the functionality of council's contract management system</p>	<p>Contract and Procurement Manager</p>	<p><b>Updated May 2025</b> New ERP Project has identified preferred supplier, Datacom, and the due diligence process and contract award is in progress. Procurement awaits further information about finalised functionality.</p>	<p>31 December 2025</p>

## Audit, Risk and Finance Committee 4 June 2025

Audit Report	Findings	Recommendation	Responsible Officer	Management Comment/Current Update	Target Date
				Procurement continues to capture contract information in its Excel Procurement Database (spreadsheet).	
<b>Analysis of cost information for infrastructure assets</b>	<p>Valuations of most infrastructure assets use the depreciated replacement cost method, and this has a significant impact on the carrying value of the District Council's assets. It takes considerable time to audit these valuations as we seek to ensure the unit rates used as the basis of the valuation are appropriate and reasonable for financial reporting purposes.</p> <p>We expect the District Council to have used the following cost information sources when developing standardised unit rates:</p> <ul style="list-style-type: none"> <li>• Recent contract information;</li> <li>• Sizable renewal programme information; and</li> <li>• Vested asset information.</li> </ul> <p>We reiterate that such information will be requested every year that a material class of infrastructure assets is revalued on the depreciated replaced cost method. This is typically transportation and three waters assets. As the District Council is currently in the process of constructing several buildings, we would also be interested in similar data for the next revaluation of building assets also.</p> <p>This information will also be important for developing expectations fair value</p>	Annual provision of the detailed contract information for recent infrastructure projects.	Asset Solutions Lead	<p><b>Management comments</b></p> <p>Management consider that Council processes already meet the recommendation made by Audit. Further discussion will be held with Audit during the planning phase of Annual Report 2025 to confirm the approach required.</p> <p>Currently Three Waters and Transport assets are revalued every three years, on subsequent years, there is a fair value adjustment made. This task is completed by an independent expert valuer, with the adjusted unit rate subsequently updated annually in our asset management system.</p> <p>Reserves, Coastal Marine, Cycleways, Solid Waste assets are revalued every three years. During non-revaluation years an adjustment is made based on the market movement of that asset category. This valuation is done in house using recent projects or if no recent project has been carried out, current purchase cost is sought from suppliers with an adjustment also added for overheads. These adjusted unit rates are updated in our asset management system annually.</p> <p>Forestry is revalued annually.</p> <p>Land and Buildings are revalued every three years, on subsequent years, there is a market movement adjustment added. This task is completed by an expert valuer. These new values are then updated in our accounting system.</p>	Completed

## Audit, Risk and Finance Committee 4 June 2025

Audit Report	Findings	Recommendation	Responsible Officer	Management Comment/Current Update	Target Date
	movements between planned revaluation cycles.				
<b>The Local Authorities Act 1968 – approval for transactions over \$25,000</b>	It was noted that a Councillor had not obtained the necessary approval from the Office of the Auditor-General (OAG) for transactions above \$25,000 between the Council and an entity they had a pecuniary interest in. Per The Local Authorities Act 1968, the Act governs the pecuniary (financial) interests of members of local authorities. It controls the making of contracts worth more than \$25,000 in a financial year between members and the local authority. We do note the Councillor received retrospective approval from the OAG.	Councillors need to obtain prior approval for transactions above \$25,000 in the financial year with the Council.		<b>Management comments</b> Council acknowledges the recommendation. Council has implemented monthly reporting of all Councillor related transactions to ensure identification of all interests directly relating to Councillors to ensure full transparency. A refresh of this requirement will form part of new Councillor induction post elections in 2025. As noted by Audit NZ, immediate action was taken by Council on the identification of such transaction, this was referred to and subsequently approved by the Office of the Auditor-General.	<ul style="list-style-type: none"> <li>Completed and Ongoing</li> </ul>
<b>Performance Measure: Roading – Response to service requests</b>	For the non-financial measure “The percentage of customer service requests relating to roads and footpaths to which Council responds within 15 working days”, the Council was recording the completion date and time to the service request. However, the target is measuring the response date and time of the Council to the service request. This meant the Council had to retrospectively update the results with information available. We tested the updated information and are satisfied the result reported in the annual report is materially correct.	Both the service request system and the reports be updated to include response time and date.	Director of Transportation	<b>Management comments</b> We acknowledge the audit’s findings regarding the recording of completion dates instead of response dates for the non-financial measure “The percentage of customer service requests relating to roads and footpaths to which Council responds within 15 working days”. In response to this, we have implemented a new mandatory calendar field in our service request system on all Transportation Service Requests (SRs) called “First Response Sent.” This field ensures that a Transportation SR cannot be closed without inputting the date when the first response was sent. This change allows us to accurately track and report the response time to service requests. Additionally, we can export this data into a	<ul style="list-style-type: none"> <li>Completed and Ongoing</li> </ul>

## Audit, Risk and Finance Committee 4 June 2025

Audit Report	Findings	Recommendation	Responsible Officer	Management Comment/Current Update	Target Date
				spreadsheet and compare the received date and first response sent date to calculate the 15 working days, ensuring compliance with the target measure.	
<b>Approval and Timeliness for PPE Additions and Disposal</b>	It was noted on multiple different occasions that there was not adequate approval for the addition or disposal of assets within the financial management system. It was also noted on other occasions these were not performed in a timely manner. We do note the additions and disposals were valid.	All Asset additions and disposals are to be authorised in a timely manner in line with Council's policy.	Asset Managers	<b>Management comment</b> Process improvements have been undertaken. A new project management framework has been developed and implemented and will address the timely closure of projects including the capitalisation of the project. The Gate 3 – Project Completion form contains a capitalisation approval section.	31 December 2025 ●
<b>Capital Work In Progress (WIP) Reconciliation</b>	It was noted that the reconciliation of Capital WIP had not been occurring. The last reconciliation was performed in June 2023.	Monthly reconciliations of WIP should occur and be appropriately reviewed.	Asset Managers	<b>Management comment</b> A review of current processes has been undertaken. Improvements with reporting and collaboration between finance and the asset team has been undertaken including the allocation of a dedicated resource in the assets team supports monthly reconciliations and the clearance of work in progress in a timely basis. These improved processes also prepare for an increased capital work programme over the next few years.	31 December 2025 ●
<b>Ozone – Large number of generic user accounts</b>	It was noted that there was over 90 generic user accounts in Ozone. This raises the risk of inappropriate use of these accounts.	The use of shared / generic accounts be limited to only those required for the business. Regular reviews of all user accounts should be performed to ensure no inappropriate accounts are created.	IT department	<b>Management comment</b> Council understands the reasons for the recommendation above, however generic users accounts are created for specific purposes that we consider adds to our control environment. External generic account logins are associated with a specific supplier company, allowing us to identify who and where the user is. Each contractor is required to sign our IT Acceptable Use Policy, acknowledging that their login credentials are for individual use only and must not be shared. When we are notified of a new hire or leaver, we update	Completed and Ongoing ●

## Audit, Risk and Finance Committee 4 June 2025

Audit Report	Findings	Recommendation	Responsible Officer	Management Comment/Current Update	Target Date
				<p>our records and suspend the login. This information is noted in our Active Directory.</p> <p>Internal shared accounts are integral to the setup of our cash tills. Each cash till has its own unique login, which is specific to the machine and cash till. This means that a login associated with one cash till cannot be used to access another cash till. This setup helps us avoid the need for multiple staff members to log on and off the machines while assisting customers. A roster is maintained that tracks which staff members are using each common login at any given time. The roster also notes who the 1-2 backup users are for each login. Additionally, security cameras also provide further oversight in case any issues arise.</p> <p>While we do not delete suspended or inactivated accounts in our system, these are reviewed regularly for appropriateness. These accounts are held for auditing purposes to enable traceability into the user that completed the actions. In addition, some staff are seasonal and require access at different times. We are comfortable that sufficient controls are in place.</p>	
<b>Unposted journals</b>	Audit has identified a journal that was selected for journals testing that was subsequently unposted and cancelled after year end. It was then replaced with a new journal after year end. We do note the deleted journals and the journal that replaced the deleted journal were for a valid business purpose.	The Council improves its processes around journals and uses the functionality within Ozone to stop journals from being unposted and cancelled after they have been posted. Council should be completing a reversing journal if they want to correct the journal and then raise the new Journal to ensure a comprehensive trail of the accounting treatment of the matter.	Financial Accounting Lead	<p><b>Management comments</b></p> <p>Council agrees with this and has implemented monthly monitoring reporting to ensure all journals posted are reversing journals and not cancelled journals.</p>	Completed

## Audit, Risk and Finance Committee 4 June 2025

Audit Report	Findings	Recommendation	Responsible Officer	Management Comment/Current Update	Target Date
<b>Compliance with Section 54A of the Local Government Act</b>	Section 54A(3) of the Local Government Act specifies that a summary of the information contained in the Register of member's pecuniary interests be made publicly available by the Council. We note that this was not done.	The Council should promptly publish the summary of members' pecuniary interests to ensure compliance with Section 54A(3) of the LGA, and also enhance its internal processes to better ensure ongoing compliance with this legislation.	Governance Manager	<b>Management comment</b> The Council Governance team maintains and publishes the Pecuniary Interests Register. This is redacted as necessary and published on the Council website.	30 June 2025 – ongoing
<b>All sensitive expenditure to have on-up approval</b>	It was noted the CEO and Mayor approve each other's sensitive expenditure.	All expenditure including sensitive expenditure to have one-up approval. In the instance of the Mayor's expenditure, the recommendation would be to have the Audit and Risk committee Chair or the deputy mayor approve Mayoral expenditure.	Audit, Risk and Finance Committee Chair and Chief Executive	<b>Management comment</b> Council agrees with this recommendation, Mayoral sensitive expenditure will be approved by either the Deputy Mayor or the Audit, Risk and Finance Committee Chair, and the Chief Executive Officer in line with Council's Sensitive Expenditure Policy.	30 June 2025 ●
<b>Improve reconciliation process of credit cards</b>	A credit not issued to a staff member had an unauthorised transaction. However it was identified several months after the transaction and the bank could no longer reverse the transaction.	The Council implements a more robust system of reconciling the Credit Card & P-Card transactions monthly. This is to be completed even when the cards have not been issued or used by the card holders. This will allow Council to identify whether there have been any unusual transactions on the cards and lay a claim with Westpac for Fraudulent transactions to claim the funds back.	Financial Accounting Lead	<b>Management comment</b> Staff perform monthly reconciliations of credit cards and p-cards that they are responsible for with an approval process following this reconciliation. This includes following up on specific transactions and providing documentation where required. A closer review and monitoring of this process has been implemented by Finance to ensure a monthly completion of this process by card holders and approvers.	31 August 2025 ●
<b>Cash Controls Review Report released on 21 December 2022 (WBOPDC)</b> <b>Council can consider use of NZ Post to receive cash</b>	NZ Post offer a service for Councils where ratepayers can go into NZ Post stores and pay their Council bills, including rates payments. This service is currently used by Councils in NZ including Bay of Plenty Regional Council and Auckland City Council. An initial analysis shows that there are NZ Post shops at each of the key Western Bay of Plenty towns. Using NZ Post will reduce the risk associated with the Council staff	We recommend that Council investigate the use of NZ Post for receiving cash payments on its behalf. Council would need to consider how non-cash items such as rubbish bag tags are purchased.	Customer Service Manager	<b>Updated May 2025</b>  Our IT team and Customer Service have been working with NZ Post and within OZONE to have the barcode created for invoices. We are up to testing this with NZ Post.  We are currently held up as we are waiting for the final paperwork to be signed by Finance/CEO as it relates to Direct Debit and Credit application checks.	1 July 2025 ●



## Audit, Risk and Finance Committee 4 June 2025

Audit Report	Findings	Recommendation	Responsible Officer	Management Comment/Current Update	Target Date
	handling cash (especially high value cash amounts).			Customers were advised that we will not be accepting cash for rates on the Rates invoice sent to ratepayers in February/March. Library and Service centre staff continue to advise that we will not be accepting cash and people will need to start thinking about other ways to pay. They are given all the alternative options available to them.  As the setup has taken a while, we are reluctant to put a line in the sand for July until everything has been correctly tested. Roll out will be for July, however we will be happy to push it to the next rate invoice if needs be	
<b>PWC Fringe Benefit Tax (FBT) Audit Report 2023</b>  <b>Process document</b>	Council does not have a complete formal FBT procedural document in place. At present, the procedure is limited to a checklist outlining the benefits to consider each quarter. This does not document the review process or specify any controls to ensure FBT is appropriately accounted for.	We recommend Council develop comprehensive written procedural documentation for the preparation, review, and filing of its FBT returns. Moving to TaxLab would be an opportune time for Council to address this if Council decides to adopt this recommendation.  At a minimum, this document should outline the benefits provided by Council, and include instructions on: <ul style="list-style-type: none"> <li>Collecting FBT return information e.g., requesting fleet information and unclassified benefits.</li> <li>Processing FBT return information e.g., how to compile the information and import this</li> </ul>	Financial Accounting Lead	<b>Updated May 2025</b>  As part of the TaxLab implementation process, the Finance team communicated with Executive Assistants for each group as they process most of the coding for potential FBT treatable expenditure. Fleet information is collected by the finance team which is linked directly out of Council's fleet management system. Council staff are in progress with updating of standard policy/procedure to documentation.  This is scheduled to be completed by 31 March 2025 (with the completion of the Q1 31 March 2025 return.)	<b>Complete</b> 31 March 2025 ●

## Audit, Risk and Finance Committee 4 June 2025

Audit Report	Findings	Recommendation	Responsible Officer	Management Comment/Current Update	Target Date
		<p>into the relevant software (i.e., TaxLab)</p> <ul style="list-style-type: none"> <li>The review processes.</li> <li>Consideration of FBT calculation methods</li> </ul> <p>As with any policy or procedural documentation, Council should ensure this is reviewed on a periodic basis (at least annually).</p>			
<p><b>PWC GST Audit Compliance Evaluation August 2023</b></p> <p><b>Second-hand goods claims</b></p>	<p>Based on discussions, there is a limited awareness around when a second-hand goods input can be claimed on property transactions. As such, Council does not currently have a formal process for making these claims.</p> <p>The second-hand goods rule allows Council to claim 3/23rds of the purchase price of a "second-hand good", including property, when GST has not been charged (e.g. the vendor is non-registered, or the sale is an exempt supply for the vendor) and Council intends to use the property for making taxable supplies.</p> <p>We reviewed a sample of transactions where a second-hand goods input claim would have likely been available and note we could not identify these claims being made in the corresponding GST returns. Accordingly, it appears Council may have missed potential input claims for these transactions.</p> <p>However, we do note that Council did make a second-hand goods input claim</p>	<p>We recommend that Council consider developing a process for ensuring that each month, consideration is given to whether any second-hand goods claim is available.</p> <p>Additionally, Council could consider reviewing transactions for the prior two years and consider whether retrospective claims could be made.</p> <p>We would also note that the process should include reference to also consider whether a temporary 'change in use' adjustment is necessary – this would be where a property is acquired to enable Council to make taxable supplies as part of its taxable activity, but temporarily rents the property. We refer to this below, as the "SOLGM apportionment methodology".</p>	Financial Accounting Lead	<p><b>Updated May 2025</b></p> <p>Council will seek advice in relation to any larger adjustments.</p> <p>With updated procedure notes and monthly interaction with property team, formal steps will be in place to identify property transactions for second-hand good adjustment.</p> <p>The monthly procedure document continues to be updated, including Process Manager and will be completed by June 2025.</p>	<p>30 June 2025</p> <p>●</p>

## Audit, Risk and Finance Committee 4 June 2025

Audit Report	Findings	Recommendation	Responsible Officer	Management Comment/Current Update	Target Date
	following advice provided by PwC for a property transaction. We discuss this further below.				

**10.4 FINANCIAL PERFORMANCE UPDATE – 30 APRIL 2025****File Number:** A6780485**Author:** Sarah Bedford, Finance Manager**Authoriser:** Jonathan Fearn, Chief Financial Officer**EXECUTIVE SUMMARY**

The purpose of this report is to provide an update on the financial results and Treasury dashboard to Elected Members to the end of 30 April 2025.

This report also provides the Audit, Risk and Finance Committee with any current Treasury Policy breaches in relation to interest rate hedging, as identified in previous financial reports.

**RECOMMENDATION**

That the Finance Manager's report dated 4 June 2025 titled 'Financial Performance Update – 30 April 2025' be received.

**SUMMARY – FINANCIALS**

The following is a summary of the financial performance for the period ended 30 April 2025 along with associated financial statements and analysis in Attachment 1.

1. The current budgets per the adopted annual plan have been phased to best reflect forecasted timings by budget managers.
2. Full details and analysis are provided in Attachment 1.
3. The below table is a summary of financial performance for the ten months ended 30 April 2025.

<b>Statement of comprehensive revenue and expense</b>	<b>Actual YTD \$000's</b>	<b>Budget YTD \$000's</b>	<b>Variance YTD \$000's</b>
Revenue	159,624	155,780	3,843
Expense	118,831	121,114	2,284
Surplus/(deficit)	40,793	34,666	6,127
Total Revenue – Actual YTD vs Full Year Budget	83%		
Total Expenses – Actual YTD vs Full Year Budget	82%		
<b>Statement of financial position</b>	<b>Actual YTD \$000's</b>	<b>Budget Full Year \$000's</b>	
Assets	2,048,373	2,139,995	
Liabilities	214,457	209,795	
Equity	1,833,916	1,930,200	

4. Financial Performance – The overall financial results show a surplus to date of \$40.8m, this is \$6.1m ahead of year-to-date budget.
5. Balance Sheet – As at April council's assets are 96% of full year budget. Council's liabilities are 108% compared to budget mainly due to recognition of payables and deferred revenue.
6. Capital Expenditure – Total capital expenditure spend of \$94.2m is reported against a full year budget of \$161.8m. This represents 58.2% capital expenditure spent of the full year budget. The infrastructure team continue to forecast a 90% completion rate by the end of the financial year.
7. Treasury – As at 30 April 2025, Council has undertaken \$45 million in net new borrowings year-to-date and remains within its policy limits for counterparty exposure, debt, interest, and liquidity ratios. However, a breach of the interest rate hedging policy remains for the 2–5 year timeframe, with non-compliance forecast at the end of 2026 and 2028.

In April, Council refinanced \$25 million of maturing debt, of which \$15 million was secured at a fixed rate. In addition, \$15 million of new fixed cover was transacted at the end of May 2025. This has brought the 0–2 year hedge bucket into compliance. To address the remaining hedging shortfall beyond the 3-year mark, Council will continue to implement forward starting swaps. These instruments will help close the gap without impacting the 2026 financial year's average cost of funds.

## ATTACHMENTS

1. **Financial Report – 30 April 2025**  



Financial Report : April 2025 – Period 10

Contents

Financial Summary – Financial Snapshot .....3

Financial Statements .....4

Financial performance variances commentary .....5

Financial performance variances commentary – Revenue by Activity .....7

Financial performance variances commentary – Expenses by Activity .....9

Statement of Financial Position.....10

Capital Expenditure .....11

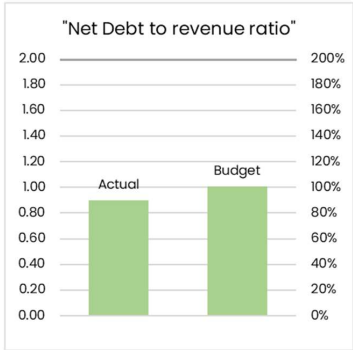
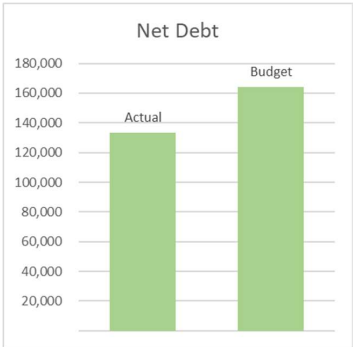
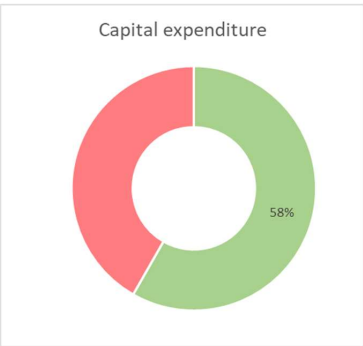
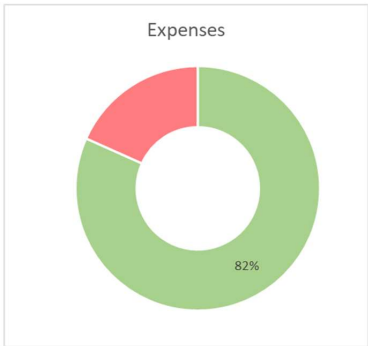
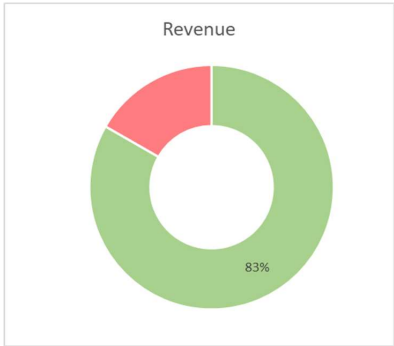
Treasury.....12



Financial Report : April 2025 - Period 10

# Financial Summary – Financial Snapshot

Year to date Actuals as a % of Budget



	Actual	Budget
	Year to date	Full year
	(\$000)	(\$000)
Total debt	160,000	179,391
less Cash and cash equivalents	26,795	15,140
<b>Net Debt</b>	<b>133,205</b>	<b>164,251</b>
	Actual	Budget
	Year to date	Full year
	(\$000)	(\$000)
Total debt	160,000	179,391
Total revenue (budget) – less FC	178,261	178,261
<b>Debt to revenue ratio</b>	<b>0.90</b>	<b>1.01</b>

Financial Report : April 2025 – Period 10

**Financial Statements****Statement of Comprehensive Revenue and Expense – Council Wide**

	2025	2025	2025	2024	2025	2025
FOR THE PERIOD ENDED 30 APRIL 2025	Actual	Revised Budget	Variance	Actual	Actual YTD as % of	Revised Budget
	Year to date (\$000)	Year to date (\$000)	Year to date (\$000)	Year to date (\$000)	Full Budget	Full year (\$000)
<b>Revenue</b>						
Rates	86,546	87,501	( 954)	74,804	83%	104,894
Subsidies and grants	42,153	43,017	( 864)	11,562	74%	56,633
Development and financial contributions	10,080	11,177	( 1,096)	9,296	75%	13,412
Fees and charges	9,817	8,091	1,726	10,691	103%	9,539
Interest revenue	882	225	657	805	327%	270
Other revenue	10,145	5,770	4,375	3,961	147%	6,924
<b>Total revenue</b>	<b>159,624</b>	<b>155,780</b>	<b>3,843</b>	<b>111,119</b>	<b>83%</b>	<b>191,673</b>
<b>Expenses</b>						
Personnel costs	28,558	29,831	1,273	26,302	80%	35,764
Depreciation and amortisation expense	24,997	24,250	( 746)	23,229	86%	29,101
Finance costs	5,945	6,347	402	4,304	78%	7,605
Other expenses	59,331	60,686	1,355	49,648	81%	72,999
<b>Total expenses</b>	<b>118,831</b>	<b>121,114</b>	<b>2,284</b>	<b>103,483</b>	<b>82%</b>	<b>145,469</b>
<b>Surplus/(deficit) before tax</b>	<b>40,793</b>	<b>34,666</b>	<b>6,127</b>	<b>7,636</b>	<b>88%</b>	<b>46,204</b>

Financial Report : April 2025 – Period 10

**Financial performance variances commentary****Revenue**

- Rates of \$86.55m are \$0.95m below year-to-date budget. This is mainly due to metered water charges unfavourable to budget \$1.1m, due to forecasted revenue being set too high. Water meter charge income for the year is budgeted at \$6.69m, but actual is forecast to be \$5.14m.
- Subsidies and Grants are \$0.86m unfavourable to year-to-date budget. This is largely due to timing of Rangiuru Business Park subsidies received which are , \$1.84m behind planned budget, delay in Ōmokoroa urbanisation projects, \$11.8m, and Panepane wharf \$1.4m unfavourable to budget, this is offset by the Heron Crescent development grants received which are \$3.9m favourable to budget and Ōmokoroa roundabout, which is ahead of budget by \$4.82m and NZTA subsidies by \$4m.
- Development and financial contributions of \$10.08m are \$1.1m unfavourable to budget, this is due to timing of income received in relation to development.
- Fees and Charges of \$9.82m are \$1.73m favourable to budget. Regulatory fees and charges as a whole are \$0.29m favourable to budget, this is mainly due to resource consent applications tracking ahead of budget<sup>1</sup> producing \$0.84m favourable variance to budget. Building services are \$0.36m below budget due to consent application volumes lower than budgeted. Compliance services are also \$0.14m below budget mainly due to a lower than budgeted parking fees as a result of a traffic warden role not being filled. Communities has \$0.62 million of miscellaneous revenue that will be reclassified at year end to grant revenue.
- Interest revenue of \$0.88m, is favourable by \$0.66m due to daily cash management of surpluses being actively invested in a mix of interest-bearing call accounts and term deposits to take advantage of higher interest rates, and due to more cash on hand than budgeted.
- Other Revenue is \$4.4m favourable year-to-date on budget, mainly due to unbudgeted Vested Assets in Ōmokoroa.

**Expenses**

- Personnel costs are \$1.27m favourable. This is, in part, due to positions held across Council to drive cost savings and a longer than expected recruitment process when bringing Transportation management back in-house.
- Other Expenses of \$59.33m are \$1.35m favourable. Key drivers are:
  - Operational projects are lower than budget of \$2.67m, mainly in Waste Management community re-use facility project, \$0.55m, and Corporate Services, \$0.95m, which is primarily due to the timing of ERP and HR-system project implementation.
  - Miscellaneous expenses are favourable \$1.05m, mainly in Transportation due to reclassification of professional services to pavement maintenance, \$0.42m, and Corporate Services \$0.46m lower than budget.
  - Impairment of Account Receivables is \$0.69m favourable due to the timing of assessments which takes place at year end.

Further financial performance details by Activity are shown later in this report.

<sup>1</sup> Land use consents up 25%, Subdivision consents up 22%, 223 certificates up 36%

Financial Report : April 2025 – Period 10

**Statement of Comprehensive Revenue and Expense by Activity**

	2025	2025	2025	2024	2025	2025
FOR THE PERIOD ENDED 30 APRIL 2025	Actual	Revised Budget	Variance	Actual	Actual YTD as % of	Revised Budget
	Year to date (\$000)	Year to date (\$000)	Year to date (\$000)	Year to date (\$000)	Full Budget	Full year (\$000)
<b>Revenue</b>						
Corporate Services	( 3,945)	( 1,490)	( 2,456)	5,481	775%	( 509)
Communities	15,081	10,383	4,698	13,138	121%	12,430
Economic	814	410	403	795	165%	493
Natural Environment	1,205	1,054	151	1,047	95%	1,265
Planning for the Future	4,039	3,867	172	3,992	87%	4,640
Recreation and Open Spaces	14,014	12,775	1,238	11,648	93%	15,088
Regulatory	13,194	12,910	284	9,798	86%	15,322
Representation	3,566	3,555	11	3,424	84%	4,266
Solid Waste	5,032	4,651	381	4,952	90%	5,595
Stormwater	12,432	9,854	2,578	5,151	107%	11,605
Transportation	61,470	63,085	( 1,615)	29,602	77%	79,653
Wastewater	18,806	20,313	( 1,507)	12,377	75%	24,985
Water Supply	13,915	14,413	( 498)	9,715	83%	16,842
<b>Total revenue</b>	<b>159,624</b>	<b>155,780</b>	<b>3,843</b>	<b>111,119</b>	<b>83%</b>	<b>191,673</b>

Financial Report : April 2025 – Period 10

**Financial performance variances commentary – Revenue by Activity****Communities**

- Subsidy Income is \$4m above year-to-date budget, due to unbudgeted capital subsidies received from Ministry Housing and Urban Development and Crown Infrastructure Partners, for the Heron Crescent project within the Elder Housing activity.

**Corporate Services**

- Total rates struck across Council are \$468k favourable. Rates Revenue in Corporate Services is \$3.7m unfavourable to budget. Corporate Services unfavourable rate variance is due to Rate Penalties unfavourable \$0.33m due to late rate setting process (note that rates penalties have been run in May 2025) and an unfavourable \$3.6m impact of the classification of rates revenues to water supply revenue and other targeted rates activities. Offsetting rates is higher internal finance revenue of \$0.36m.

**Recreation and Open Spaces**

- Favourable to year-to-date budget are financial contributions \$0.76m, rental income of \$0.34m, interest revenue of \$0.49m and unbudgeted harvest proceeds of \$1m. These are offset by Subsidies and Grant revenue that is unfavourable \$1.4m on budget, regarding Panepane Wharf project.

**Stormwater**

- Vested Assets revenue is \$3.7m favourable to year-to-date budget, which is offset by Development Impact Fees unfavourable \$1.7m, due to timing of Financial Contribution income.

**Transportation**

- Vested Assets revenue is \$1.2m unfavourable to year-to-date budget mainly due to timing of anticipated vesting for this activity.
- Subsidies and grants are \$0.9m unfavourable to budget – NZTA subsidies are \$4m favourable due to spend ahead of budget, this is offset by \$4.8m unfavourable Ōmokoroa urbanisation, Ōmokoroa NZTA roundabout and No4 bridge replacement subsidies.

**Wastewater**

- Subsidy Income is \$2.3m below year-to-date budget as a result of timing of the Te Puke Wastewater Treatment Plant upgrade and links with the Rangiuru Business Park. Other unfavourable variances are Insurance Recoveries \$1.7m related to timing of notification and receipt of claims regarding Waihi Beach Wastewater treatment plant, and Financial Contributions \$0.56m below budget due to timing of anticipated development.
- Favourable variances year-to-date against budget are Vested Assets \$1.3m, Rates \$1.1m and higher internal Interest Revenue \$0.56m.

7

Financial Report : April 2025 – Period 10

FOR THE PERIOD ENDED 30 APRIL 2025	2025	2025	2025	2024	2025	2025
	Actual	Revised Budget	Variance	Actual	Actual YTD	Revised Budget
	Year to date (\$000)	Year to date (\$000)	Year to date (\$000)	Year to date (\$000)	as % of Full Budget	Full year (\$000)
<b>Expenses</b>						
Corporate Services	( 3,052)	( 1,173)	1,878	4,248	-701%	435
Communities	10,734	11,116	382	10,903	81%	13,291
Economic	913	866	( 47)	684	89%	1,023
Natural Environment	1,218	1,660	443	913	62%	1,979
Planning for the Future	3,337	3,799	462	3,743	73%	4,558
Recreation and Open Spaces	11,098	10,957	( 141)	8,640	85%	13,053
Regulatory	13,208	12,825	( 384)	13,094	86%	15,389
Representation	3,301	3,577	276	3,005	77%	4,292
Solid Waste	4,464	5,566	1,102	3,741	67%	6,631
Stormwater	7,496	7,125	( 371)	4,486	92%	8,193
Transportation	32,170	31,614	( 556)	22,247	86%	37,349
Wastewater	17,686	17,126	( 560)	13,986	88%	20,208
Water Supply	16,258	16,058	( 200)	13,794	85%	19,068
<b>Total expenses</b>	<b>118,831</b>	<b>121,114</b>	<b>2,284</b>	<b>103,483</b>	<b>82%</b>	<b>145,469</b>
<b>Surplus/(deficit) after tax</b>	<b>40,793</b>	<b>34,666</b>	<b>6,127</b>	<b>7,636</b>	<b>88%</b>	<b>46,204</b>

Financial Report : April 2025 – Period 10

**Financial performance variances commentary – Expenses by Activity****Corporate Services**

- Favourable variances year to date are mainly for projects for increased levels of service (related to the ERP project), bad debts \$0.9m, consultants \$0.7m and legal fees \$0.2m.

**Solid Waste**

- Favourable variances year to date are mainly due to lower than planned maintenance costs \$0.2m and delayed projects \$0.5m. Also contributing is lower than budgeted interest expense of \$0.2m.

**Transport**

- Personnel onboarding for the shift of transport activity in-house is later than planned has created a favourable variance of \$0.5m. Maintenance and Operations is unfavourable \$0.6m, as the maintenance works programme is ahead of schedule. The works programme is being managed to a 3-year delivery cycle (FY2025 – FY2027). Staff cost capitalisation is yet to be finalised and is \$1.4m unfavourable to budget.

**Wastewater**

- The main unfavourable variance is internal finance costs of \$0.63 million, This is related to the treatment of current accounts in the budget. As well as insurance and electricity costs which are \$0.23m unfavourable to budget.

Financial Report : April 2025 – Period 10

**Statement of Financial Position**

	2025	2025	2024
STATEMENT OF FINANCIAL POSITION	Actual	Revised Budget	Actual
AS AT 30 APRIL 2025	Year to date	Full year	Year to date
	(\$000)	(\$000)	(\$000)
<b>Current assets</b>			
Cash and cash equivalents	26,795	15,140	19,886
Receivables	28,704	18,654	20,951
Prepayments	1,578	263	1,774
Derivative financial instruments	54		
<b>Total current assets</b>	<b>57,131</b>	<b>34,057</b>	<b>42,611</b>
<b>Non-current assets</b>			
Derivative financial instruments	1,965	2,580	2,580
Other financial assets	13,731	12,965	12,965
Investment in associates	14,799	6,072	4,343
Property, plant and equipment	1,953,204	2,070,477	1,862,075
Intangible assets	3,383	5,495	3,450
Forestry assets	4,159	8,349	8,266
<b>Total non-current assets</b>	<b>1,991,242</b>	<b>2,105,938</b>	<b>1,893,678</b>
<b>Total assets</b>	<b>2,048,373</b>	<b>2,139,995</b>	<b>1,936,289</b>
<b>Current liabilities</b>			
Payables and deferred revenue	51,036	25,442	28,931
Borrowings and other financial liabilities	25,000	15,000	15,000
Employee entitlements	3,052	4,367	3,510
Provisions	294	313	313
<b>Total current liabilities</b>	<b>79,381</b>	<b>45,122</b>	<b>47,754</b>
<b>Non-current liabilities</b>			
Payables and deferred revenue			
Derivative financial instruments			
Borrowings and other financial liabilities	135,000	164,391	88,200
Employee entitlements	13	20	19
Provisions	62	262	262
<b>Total non-current liabilities</b>	<b>135,075</b>	<b>164,673</b>	<b>88,481</b>
<b>Total liabilities</b>	<b>214,457</b>	<b>209,795</b>	<b>136,236</b>
<b>Net assets</b>	<b>1,833,916</b>	<b>1,930,200</b>	<b>1,800,053</b>
<b>Equity</b>			
Accumulated Funds	1,026,535	1,129,481	996,678
Reserves	807,381	800,719	803,376
<b>Total equity</b>	<b>1,833,916</b>	<b>1,930,200</b>	<b>1,800,053</b>



Financial Report : April 2025 – Period 10

## Capital Expenditure

### Capital expenditure by Activity

	2025	2025	2025	2025	2025
\$000	Actual	Revised Budget	Variance	Actual YTD	Revised Budget
	Year to date	Year to date	Year to date	as % of FY Budget	Full year
Corporate Services	1,585	1,802	217	73%	2,162
Communities	9,003	1,903	( 7,100)	367%	2,451
Economic	52	506	455	8%	608
Natural Environment	0	0	( 0)	0%	0
Recreation and Open Space	3,127	14,196	11,069	18%	17,473
Solid Waste	0	42	42	0%	50
Stormwater	2,787	2,747	( 40)	81%	3,438
Structure Plan	34,459	55,111	20,652	49%	70,989
Transportation	19,130	19,474	344	65%	29,439
Wastewater	8,964	11,728	2,764	56%	15,877
Water Supply	15,168	15,946	779	79%	19,298
<b>TOTAL</b>	<b>94,274</b>	<b>123,454</b>	<b>29,180</b>	<b>58%</b>	<b>161,784</b>

### Capital expenditure variance commentary

- Communities – Elder housing capital spend for Heron Crescent (\$5.2m) is ahead of schedule and is not included in the budget. This is covered 100% by external funds and that income was also not budgeted. Waihi Beach Library is being delivered of schedule (\$1.2m) as delivery was expected in 2026.
- Recreation and Open Space – Delays in significant projects including Ōmokoroa Active Reserve going through legal claims, Dave Hume Pool upgrades has only recently commenced work in May and Panepane wharf upgrades delayed due to weather and barge availability.
- Structure Plan – Ōmokoroa stage one savings through contract negotiations of \$6m. Delays in timing for projects such as Ōmokoroa Urbanisation Stage 1, Prole Role Urbanisation and Prole Road Wetland. Programme will be re-forecasted to align with Contractor's forecasting
- Transportation –Subsidies for NZTA work programme ahead of budget as both opex and capex budgets are spending ahead of their budgets. This is being managed to a 3-year cycle (25-27).
- Wastewater – Timing delays relating to design of the upgrade of Te Puke Wastewater Treatment Plant.
- Water Supply – Water Supply spending ahead of budget on significant projects for water quality improvement related projects.

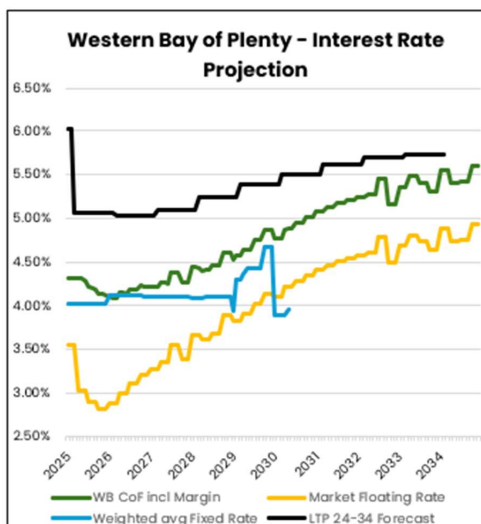
Financial Report : April 2025 – Period 10

## Treasury

as at 30 April 2025

## Summary

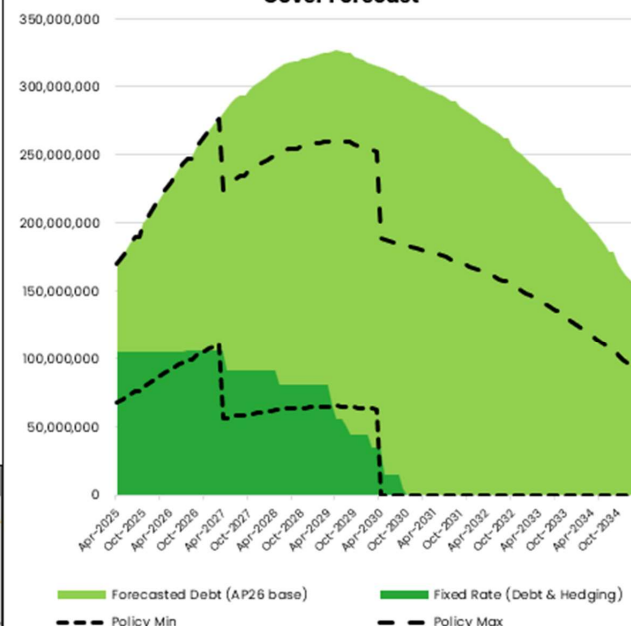
- Current external debt of \$160m. All debt is with the LGFA.
- During the month of April, \$25m of floating debt was refinanced. The \$25m was split \$15m fixed and \$10m floating.
- Total cost of funds including margin is currently 4.28%.
- The weighted average term of drawn debt facilities is 2.65 years.
- Council has working capital facilities of \$30m. \$20m with ANZ and \$10m with LGFA. These facilities were unused as at 30 April 2025.



## Interest Rate Risk Limits

	Year 0 – 2	Year 2 – 5	Year 5 – 10
Minimum Policy Limit	40%	20%	0%
Maximum Policy Limit	100%	80%	60%
Minimum Hedge	38%	11%	0%
Maximum Hedge	71%	32%	5%
Compliant?	X	X	✓

## Western Bay of Plenty District Council – Debt and Cover Forecast



## Limits on borrowing

Benchmark Ratio	Policy Limit	Actual	Compliant?
Net debt as % of Total YTD Revenue	<200%	93%	✓
Net Interest <sup>1</sup> as a % of Total YTD Revenue	<15%	4%	✓
Net Interest as a % of YTD Rates Income	<20%	6%	✓
Liquidity Ratio <sup>2</sup>	>110%	135%	✓

<sup>1</sup>Net Interest = Finance Income less Finance Costs<sup>2</sup>Liquidity Ratio = external term debt + standby facilities + available short-term liquidity / existing external debt

## Financing – YTD

	Actual	Budget	Variance
Interest Income	882,000	225,000	
Interest Expense	6,043,000	6,407,000	
Net Interest	5,161,000	6,182,000	- 1,021,000 Favourable

## Counterparty limits

Counterparty	Actual	Total Limit	Compliant?
ANZ	29,613,662	35,000,000	✓
BNZ	4,258,356	35,000,000	✓
ASB	991,233	35,000,000	✓
Westpac	-	35,000,000	✓

<sup>1</sup>Counterparty balances take into account all Cash, Term Deposits and Swaps. All drawn debt is with the LGFA

## Current year borrowings – movement

Opening Balance as at 1 July 2024	\$115m
New borrowing/refinancing (floating)	\$20m
New borrowing/refinancing (fixed)	\$60m
Total new borrowing for FY	\$80m
Repayment/refinancing of maturing debt	\$35m
Gross Debt	\$160m

12

## 10.5 REVIEW OF ACCOUNTING POLICIES AND KEY ACCOUNTING JUDGEMENTS – ANNUAL REPORT 2024/25

File Number: A6664028

Author: Sarah Bedford, Finance Manager

Authoriser: Jonathan Fearn, Chief Financial Officer

### EXECUTIVE SUMMARY

The purpose of this report is to provide the Committee with a high-level summary on key changes to accounting policies and treatment for the 30 June 2025 Annual Report.

### RECOMMENDATION

That the Finance Manager's report dated 4 June 2025 titled 'Review of Accounting Policies and Key Accounting Judgements – Annual Report 2024/25' be received.

### ACCOUNTING POLICIES

1. Council is classified as a 'Tier One Public Sector Public Benefit Entity' (PBE) under the multi-standards financial reporting framework introduced in New Zealand by the External Reporting Board, effective 1 July 2014. The proposed accounting policies for the 30 June 2025 Annual Report are set out in **Attachment 1**.

### KEY AMENDMENTS TO POLICIES

2. Update of Three Water Reform disclosure

### KEY AMENDMENTS TO ACCOUNTING STANDARDS

#### PBE IPSAS 1

3. This amending Standard sets out amendments to PBE IPSAS 1 Presentation Financial Reports. The amendments require an entity to describe the services provided by its audit or review firm and to disclose the fees incurred by the entity for those services.
4. Entities must now disclose:
  - a. Fees to each audit firm for the audit of financial statements.
  - b. Fees for other services provided by each audit firm.
  - c. These disclosures must be broken down by type of service e.g. assurance services, tax services, consulting and whether the service is related to the audit or not.

**2024 OMNIBUS AMENDMENTS TO PBE STANDARDS**

5. The 2024 Omnibus Amendments include updates to PBE IPSAS 1 Presentation of Financial Reports to clarify the principles for classifying a liability as current or non-current. The amendments are effective from reporting periods beginning on or after 1 January 2026. Adoption of this standard will not result in any significant impact on the Council financial statements.

**KEY ACCOUNTING ESTIMATES**

6. At this stage there are no matters to draw to the Committee's attention regarding key accounting estimates.

**ATTACHMENTS**

1. **Proposed Accounting Policies 2024-25 Annual Report**  

## Proposed statement of accounting policies for the year ended 30 June 2025

### 1. Statement of accounting policies for the year ended 30 June 2025

#### 1.1 Reporting entity

Western Bay of Plenty District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002. The Council's principal address is 1484 Cameron Road, Greerton, Tauranga. The Council provides local infrastructure, local public services, and regulatory functions for the community. The Council does not operate to make a financial return. The Council has designated itself as a public benefit entity (PBE) for reporting purposes and applies Tier 1 PBE accounting standards. These standards are based on International Public Sector Accounting Standards (IPSAS) with amendments for the New Zealand environment. The financial statements of the Council are for the year ended 30 June 2025. The financial statements were authorised for issue by Council on **TBC**.

#### Summary of significant accounting policies

##### Basis of preparation

Significant accounting policies that do not relate to a specific note are outlined below.

##### Statement of compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements and service performance information have been prepared in accordance with Tier 1 Public Benefit Entity (PBE) accounting standards.

##### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all value are rounded to the nearest thousand dollars (\$000), other than the remuneration and the severance payment disclosures in Note 34 and Note 35. The remuneration and

severance payments are rounded to the nearest dollar.

##### Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of land and buildings, certain infrastructural assets, investment property, forestry assets, and certain financial instruments (including derivative instruments).

##### Budget figures

The budget figures are those approved by Council in its 2024-25 Annual Plan. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

##### Goods and services tax

Items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense. The net amount of GST recoverable from the IRD, including the GST relating to investing and financing activities, is classified as operating cashflow in the statement of cashflows. Commitments and contingencies are disclosed exclusive of GST.

##### Cost allocation

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below. Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be attributed to a specific significant activity in an economically feasible manner with a specific significant activity. Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity or usage information. Depreciation is charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred. Property and other premises costs, such as maintenance, are charged on the basis of floor area occupied for the production of each significant activity. Other indirect costs are assigned to significant activities based on the proportion of direct staff costs for each significant activity. There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

#### Standards and amendments issued that have been applied

##### Critical accounting estimates

In preparing these financial statements, estimates and

assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of land and buildings, and infrastructural assets – Note 20
- Estimating the fair value of forestry assets – Note 23
- Estimating the retirement and long service leave obligations – Note 26
- Estimating the landfill aftercare provision – Note 27

#### **Critical judgments in applying accounting policies**

Management has exercised the following critical judgements in applying accounting policies.

#### **Donated or vested land and buildings with use or return conditions**

The Council has received land and buildings from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received. The Council considers that an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

#### **Classification of property**

Council owns a number of properties held to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives are part of Council's social housing policy. The properties are therefore accounted for as property, plant, and equipment rather than investment property.

#### **Treatment of airport land**

The airport land consists of some 225 hectares of land of which some 86 hectares

is jointly owned by Tauranga City Council (TCC) and Western Bay of Plenty District Council. TCC are the legal owners of the land and Western Bay of Plenty District Council are the beneficial or equitable owners of the jointly owned land. The jointly acquired land is held by TCC on trust for itself and Western Bay of Plenty District Council. As the legal owner, TCC must exercise its rights of ownership in terms of the trust and for the benefit of the trustees. The terms of the trust are that TCC may use the jointly acquired land rent free provided the land is used as an airport. In the event that the jointly own airport land is sold and the principal use of the land is no longer an airport then a liability to Western Bay of Plenty District Council is created for the sale price of the jointly owned land at that point.

#### **Foreign currency transactions**

Foreign currency transactions (including those subject to forward exchange contracts) are translated into New Zealand Dollars (the functional currency) using the spot exchange rate at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

#### **Water services reform programme**

The Government's Three Waters Reform (later named Affordable Waters Reform) was repealed in February 2024 with the Water Services Acts Repeal Act. This Act repealed the Water Services Entities Act 2022, Water Services Legislation Act 2023 and the Water Services Economic Efficiency and Consumer Protection Act 2023.

Local Water Done Well is the coalition government's approach to the future management of three waters (drinking water, wastewater and stormwater) in New Zealand. The approach is provided for in the Local Government (Water Services Preliminary Arrangements) Act (the Act) and the Local Government (Water Services) Bill (the Bill) released in December 2024. It is anticipated that this Bill will be enacted in mid 2025.

The Bill will establish the enduring settings for

the new water services system including minimum requirements for local government water services providers, a new economic regulation regime for local government water services providers, to be implemented by the Commerce Commission, changes to improve the efficiency and effectiveness of the drinking water regulatory regime, and the approach Taumata Arowai takes to regulating the regime, a change in the approach to applying Te Mana o te Wai, affecting drinking water suppliers as well as wastewater and stormwater networks, a new approach to managing urban stormwater, including changes to improve the management of overland flow paths and watercourses in urban areas, and changes relating to wastewater environmental performance standards and national engineering design standards.

The Act requires Council to prepare a Water Service Delivery Plan (WSDP) by 3 September 2025. This plan must outline the future delivery model for water services, how financial sustainability will be achieved by 1 July 2028, and how this model will be implemented. Council has consulted the community on a preferred model of a joint water services Council-Controlled Organisation. Council will hear submissions and decide on the future model in May 2025. This decision will underpin the completion of the WSDP which Council will approve at the end of July 2025 to ensure it can be submitted to the Department of Internal Affairs prior to 3 September.

The Implementation Plan in the WSDP will include the actions required to establish the model that Council approved. The plan will also set the direction regarding the transfer of assets, continued operations and maintenance and how urban stormwater will be managed. These changes will then provide direction regarding Council's ongoing services, the financial impacts on asset values, revenue and associated debt.

### Changes in accounting policies

#### **PBE FRS 48 Service Reporting**

PBE FRS 48 Service Performance Reporting replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for the year ending 30 June 2023, with early

adoption permitted.

#### **PBE IPSAS 1 Presentation of Financial Statements**

PBE IPSAS 1 requires amendments to the disclosure of audit fees. Council must now disclose fees to each audit firm for the audit of the financial statements, fees for other services provided to be broken down by type of service e.g. assurance services, tax services, consulting and whether the service is related to the audit or not.

#### **Rates Revenue**

Rates revenue is classified as non-exchange revenue and is measured at fair value. The specific accounting policies for significant revenue items are explained below:

Rates Revenue Rates are set annually by a resolution from Council and relate to a financial year. All customers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable. The following policies for rates have been applied: General rates, targeted rates (excluding water-by meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due.

The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

#### **Subsidies and grants**

##### *NZ Transport Agency Waka Kotahi roading subsidies*

The Council receives funding assistance from the NZ Transport Agency Waka Kotahi, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies



are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

#### **Grants**

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

### **Financial contributions, fees and charges, and other revenue**

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

#### **Financial Contributions**

Financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

#### **Building and resource consent revenue**

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

#### **Entrance fees**

Entrance fees are fees charged to users of the Council's local facilities, such as pools. Revenue from entrance fees is recognised upon entry to such facilities.

#### **Landfill fees**

Fees for disposing of waste at the Council's landfill are recognised upon waste being disposed by users.

#### **Provision of commercially based services**

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date. Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

#### **Sales of goods**

Revenue from the sale of goods is recognised when a product is sold to the customer.

#### **Infringement fees and fines**

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

#### **Vested or donated physical assets**

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

#### **Donated and bequeathed financial assets**

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

### **Finance and Revenue Costs**

#### **Interest and dividends**

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Dividends are recognised in surplus or deficit unless the dividend clearly represents a recovery part of the cost of the investment.

#### **Borrowing costs**

Borrowing costs are expensed in the financial year in which they are incurred.



## Personnel Costs

### Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

### Superannuation schemes

#### Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

#### Defined benefit schemes

The Council makes employer contributions to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund (NPF). The scheme is a multi employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit in the plan will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

## Other expenses

### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

### Grant expenditure

The Council's grants awarded have no substantive conditions attached. Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as an expense when approved by the Council and the approval has been communicated to the applicant. Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as an expense when an application that meets the specified criteria for the grant has been received.

### Tax

Council does not pay income tax as Section CW39 of

the Income Tax Act 2007 specifically exempts income that is derived by a local authority from income tax, unless that income is derived from a Council Controlled Organisation, a port related undertaking, or as a trustee.

### Other expenses

Other expenses are recognised as goods and services are received.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### Receivables

Receivables are recorded at the amount due, less an allowance for Expected Credit Loss (ECL).

Council applies the simplified ECL model of recognising lifetime ECL for receivables.

The ECL allowance has been calculated based on a review of specific overdue receivables and a collective assessment. The collective allowance is based on an analysis of past collection history and debt write offs. Individual allowance has been determined based on the significant financial difficulties and circumstances being experienced by the debtor.

### Rates are "written-off"

When remitted in accordance with the Council's rates remission policy; and in accordance with the writeoff criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government Act 2022.

Other rates are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

A receivable is considered uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

### Derivative financial instruments

Derivative financial instruments are used to manage exposure to interest rate and foreign exchange risks arising from Council's operational activities and risk

arising from Council's financing and investing activities. In accordance with its treasury policy, Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. Council has elected not to hedge account.

Financial instrument risk is detailed in Note 37. The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

### Other financial assets

#### Classification

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value.

They are then classified as, and subsequently measured under, the following categories:

- Amortised cost
- Fair value through other comprehensive revenue and expense (FVTOCRE); and
- Fair value through surplus and deficit (FVTSD)

Transaction costs are included in the value of the financial asset at initial recognition unless it has been designated at FVTSD, in which case it is recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council's model for managing them.

A financial asset is classified and subsequently measured at Amortised Cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI) on the principal outstanding and is held within a management model whose objective is to collect the contractual cashflows of the asset.

A financial asset is classified as subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be

measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, Council may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

### Subsequent measurement

#### Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans and loans to subsidiaries and associates.

#### Subsequent measure of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses are recognised in surplus or deficit.

When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus or deficit. Instruments in this category include Council listed bonds.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment.

When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

#### Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit. Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

#### Investments in associates

An associate is an entity over which the Council has

significant influence and that is neither a subsidiary nor an interest in a joint arrangement. The Council's associate investment is accounted for in the financial statements using the equity method. The investment in an associate is initially recognised at cost and the carrying amount in the financial statements is increased or decreased to recognise the Council's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the Council's financial statements. If the share of deficits of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further deficits.

After the Council's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognized.

#### **Property Plant and Equipment**

Property, plant, and equipment consist of:

**Operational assets** – These include land, buildings, landfill post closure, library books, plant and equipment, and motor vehicles.

**Restricted assets** – Restricted assets are parks and reserves owned by the Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

**Infrastructure assets** – Infrastructure assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations. Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation and impairment losses. All other asset classes are measured at cost less accumulated depreciation and impairment losses. If the share of deficits of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further deficits. After the Council's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share

of those surpluses only after its share of the surpluses equals the share of deficits not recognized.

#### **Revaluation**

Land and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. Revaluation movements are accounted for on a class-of-asset basis. The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

#### **Additions**

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Work in progress is recognised at costless impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

#### **Disposals**

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset.

Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

#### **Subsequent costs**

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Entity and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

#### **Depreciation**

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

#### **Impairment**

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets not carrying a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit. For assets not carried at revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

#### *Note disclosure*

##### **Property, plant, and equipment notes**

- There were no assets lost or given up during the year
- Council has not pledged any property, plant or equipment as security for liabilities.

Land and buildings in the "Restricted Asset" category are subject to either restrictions on use, or disposal, or both. This includes restrictions from legislation (such

as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings under a bequest or donation that restricts the purpose for which the assets can be used). A 600m section of Te Puna Station Road valued at \$787,416 is not available for use and is impaired – writing down the asset to \$nil as at 1 July 2023.

#### **Intangible assets**

Purchased intangible assets are initially recognized at cost. For internally generated intangible assets, the cost includes direct employee costs, a reasonable portion of overhead and other direct costs that are incurred in the development phase of the asset.

Intangible assets acquired at no cost are initially recognised at fair value where they can be reliably measured. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses, if any

#### **Computer software**

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs directly associated with the development of identifiable and unique software products are recognised as an asset.

Costs for the development of software code that enhances or modifies or creates additional capability to existing onpremise systems are recognized as intangible software assets and amortised over the useful life of the software on a straight-line basis.

#### **Software as a service (SaaS)**

Costs incurred to configure or customize software in a cloud computing i.e. software-as-a-service (SaaS) arrangement are recognised as an expense when incurred. Costs incurred to develop customisations to software that exists in a cloud environment may be recognized as an intangible asset only if sufficient recognition criteria are met, indicators of which include that the Council controls the asset, the asset is identifiable and separable from the software and environment, and in the event that the asset may be made available to other users of the software then Council would be entitled to a share of revenue proceeds.

#### **Staff training costs**

Staff training costs are recognised as an expense when incurred.

#### **Resource Consent**

Costs incurred in obtaining resource consents are capitalised and classified as intangible assets. Costs

are amortised on a straight line basis over the term granted by the resource consent and are stated at cost less accumulated amortisation and impairment losses.

#### Easements

Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

#### Carbon credits

Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised based the Diminishing Value method over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognized. The amortisation charge for each financial year is recognised in the surplus or deficit. re derecognised when they are used to satisfy carbon emission obligations. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Class	Est. useful life	Amortisation rate
Computer software	3-5 years	20%-33.3%
Resource consents	Life of asset	5%
Property subdivision rights	19 years	3%-5%
Emissions trading scheme	-	Not amortised

#### Impairment of intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. For further details, refer to the policy for impairment of property, plant, and equipment. The same approach applies to the impairment of intangible assets.

#### Easements

Easements are not cash-generating in nature as they give the Entity the right to access private property where infrastructural assets are located. As such, impairment of an easement is determined by considering the future service potential of the easement. No impairment losses have been recognised for easements, as they all have ongoing

service potential. Easements have been assessed as having an indefinite useful life because they provide the Entity with access to infrastructural assets for an indefinite time period.

#### Carbon credits

The Council considers that there is no impairment of carbon credits held, as they are expected to be fully utilised in satisfying carbon obligations from its forestry operations. Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit for as long as the Emissions Trading Scheme is in place.

#### Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in surplus or deficit. Forestry maintenance costs are recognised in surplus or deficit when incurred.

#### Critical accounting estimates and assumptions

Independent registered valuer, Interpine Group Limited, valued Councils forestry assets as at 30 June 2025. This valuation is based on existing sustainable felling plans and assessments regarding growth, timber prices, falling costs and silviculture costs. It takes into consideration environmental, operational and market restrictions. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- Forests have been valued on a going concern basis and only includes the value of the existing crops on a single rotation basis.
- Costs applied are current average costs for established stands for immature stands costs are compounded at XX% (2024: 3.4%).
- Notional land rental costs have been included for freehold land.
- No allowance for inflation has been provided.
- No allowance has been made for cost improvements in future operations.
- Log prices are based on a twelve quarter rolling average to June 2025, and there are no restrictions on title. A discount rate of XX% (2024: 7.8%) has been used to calculate the present value of expected cash flows.

A discount rate of XX% (2024: 7.8%) has been used to calculate the present value of expected cash flows.

#### Financial risk management strategies

The Council is exposed to financial risks arising from changes in timber prices. The Council is a long-term forestry investor and does not expect timber prices to

decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. The Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

#### **Securities**

There are no restrictions over the title of Western Bay Council's forestry assets, nor are any forestry assets pledged as security for liabilities.

#### **Borrowings and other financial liabilities**

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

#### **Employee entitlements**

##### **Short-term employee entitlements**

Employee benefits that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, and sick leave. A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation, and a reliable estimate of the obligation can be made.

##### **Long-term employee entitlements**

Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

##### **Presentation of employee entitlements**

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested retirement and long service leave expected to be

settled within 12 months of balance date are also classified as a current liability. All other employee entitlements are classified as a non-current liability.

#### **Provisions**

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
  - it is probable that an outflow of future economic benefits or service potential will be required to settle the obligation; and
  - a reliable estimate can be made of the amount of the obligation.
- Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and
- discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash flows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

#### **Equity**

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities.

Equity is disaggregated and classified into the following components:

- Accumulated funds
- Restricted reserves
- Property revaluation reserve
- Fair value through other comprehensive revenue and expense reserve

#### **Restricted reserves**

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council. Restricted reserves include those subject to specific conditions accepted as binding by the Council.

#### **Property revaluation reserves**

This reserve relates to the revaluation of property, plant, and equipment to fair value.

#### **Fair value through other comprehensive revenue and expense reserve**

This reserve comprises the effective portion of the cumulative net change in the fair value of assets classified through other comprehensive revenue and expense.

## 10.6 PROPOSED SALE OF ZESPRI AND SEEKA SHARES

**File Number:** A6735099

**Author:** Jackson Jury, Financial Analyst

**Authoriser:** Jonathan Fearn, Chief Financial Officer

### EXECUTIVE SUMMARY

1. Western Bay of Plenty District Council currently holds share investments in Zespri Group Ltd and Seeka Ltd. As part of the Council's broader financial strategy to review non-core assets and strengthen liquidity, management is recommending that Council consider the sale of these shares.

### RECOMMENDATION

1. That the Financial Analyst's report dated 4 June 2025 titled 'Proposed Sale of Zespri and Seeka Shares' be received.
2. That the report relates to an issue that is considered to be of **low** significance in terms of Council's Significance and Engagement Policy.
3. That Council approves the sale of all of the Zespri and Seeka shares.  
OR
4. That Council does not approve the sale of all of the Zespri and Seeka shares.
5. That the proceeds from the sale of the shares be put to the General Rates Reserve (if approved)

### BACKGROUND

2. Western Bay of Plenty District Council currently holds share investments in both Zespri Group Ltd and Seeka Ltd. These shares were not acquired through a deliberate investment strategy, but rather as a consequence of Council's historical purchase of strategic properties that included operational kiwifruit orchards. The Zespri shares were likely acquired as part of the original land and orchard purchases, while the Seeka shares have likely been issued over time through Council's ongoing ownership of the orchards, with Seeka providing shares as an incentive annually to its growers.
3. Council currently holds 26,490 shares in Zespri Group Ltd and 11,247 shares in Seeka Ltd. As at the end of April 2025, Zespri shares were trading at \$6.21 each and Seeka shares at \$3.78 each, equating to an approximate market value of \$164,500 and \$42,500 respectively. In accordance with Section 5.4.1 of the Council's Treasury Policy, the disposal of shares where the market value exceeds \$50,000 requires Council approval.

4. As part of its ongoing financial management, Council has the opportunity to consider whether continuing to hold these shares remains appropriate. While the shares have provided dividend income and potential capital gains, they also expose Council to market volatility and are not directly linked to the delivery of Council's core services and strategic outcomes.

5. Please find a brief dividend history for Councils consideration below:

Year	Councils Zespri Dividend	Councils Seeka Dividend
2023/24	\$22,516 (85 cents per share)	\$1,687 (15 cents per share)
2022/23	\$30,993 (\$1.17 per share)	\$0 (no dividend declared)
2021/22	\$47,152 (\$1.78 per share)	\$1,462 (13 cents per share)

6. Selling the shares would release additional liquidity, providing flexibility to fund high-priority projects, reduce debt, or strengthen Council's financial resilience. Alternatively, Council may choose to retain the shares if it considers the investment returns and strategic position of the assets remain beneficial. Management is presenting this matter for Council's consideration as part of its broader review of non-core assets.

### SIGNIFICANCE AND ENGAGEMENT

7. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.
8. The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.
9. In terms of the Significance and Engagement Policy this decision is considered to be of **low** significance because it is financially minor relative to Council's overall budget, does not affect levels of service or strategic assets, and has minimal impact on the community.



## ISSUES AND OPTIONS ASSESSMENT

<b>Option A</b> <b>Sell the shares</b>	
<b>Assessment of advantages and disadvantages including impact on each of the four well-beings</b> <ul style="list-style-type: none"> <li>• <b>Economic</b></li> <li>• <b>Social</b></li> <li>• <b>Cultural</b></li> <li>• <b>Environmental</b></li> </ul>	<b>Economic:</b> <ul style="list-style-type: none"> <li>• <i>Advantage:</i> Immediate cash injection (~\$207,000) and could be put to the General rates reserve.</li> <li>• <i>Disadvantage:</i> Loss of future dividend income and potential capital gains.</li> </ul> <b>Social:</b> <ul style="list-style-type: none"> <li>• <i>Advantage:</i> Frees up funds that can be used for projects or services that directly benefit the community.</li> <li>• <i>Disadvantage:</i> Minimal; the shares are not directly linked to service delivery.</li> </ul>
<b>Costs (including present and future costs, direct, indirect and contingent costs).</b>	<p>Present cost is the loss of potential future returns (dividends/capital growth).</p> <p>No direct or indirect financial costs associated with the sale aside from a small brokerage fee.</p> <p>Potential opportunity cost if the shares appreciate significantly in the future.</p>
<b>Other implications and any assumptions that relate to this option (Optional – if you want to include any information not covered above).</b>	<p>Assumes that selling can be completed at or near current market value without significant transaction costs.</p> <p>Assumes the funds can be better utilised in core Council activities aligned with community outcomes.</p>

<b>Option B</b> <b>Keep the shares</b>	
<b>Assessment of advantages and disadvantages including impact on each of the four well-beings</b> <ul style="list-style-type: none"> <li>• <b>Economic</b></li> <li>• <b>Social</b></li> <li>• <b>Cultural</b></li> <li>• <b>Environmental</b></li> </ul>	<b>Economic:</b> <ul style="list-style-type: none"> <li>• <i>Advantage:</i> Retains exposure to future dividend income and potential capital gains.</li> <li>• <i>Disadvantage:</i> Continues exposure to market risk and ties up funds that could be applied to core Council functions.</li> </ul> <b>Social:</b> <ul style="list-style-type: none"> <li>• <i>Advantage:</i> None directly.</li> <li>• <i>Disadvantage:</i> Missed opportunity to reinvest funds into services that directly benefit the community.</li> </ul>
<b>Costs (including present and future costs, direct, indirect and contingent costs).</b>	Risk of declining share value or reduced dividends, affecting future returns.
<b>Other implications and any assumptions that relate to this option (Optional – if you want to include any information not covered above).</b>	<p>Assumes the orchard operations and related industries remain stable to support share value.</p> <p>Time bound sale option depending on whether we are still in the market of kiwifruit.</p> <p>Assumes the dividend returns continue to be relatively modest and do not significantly alter Council's financial position.</p>

## STATUTORY COMPLIANCE

10. The sale is permissible under the LGA 2002 because:

- The shares are not in a CCO (Section 80 does not apply).
- The council has general authority to dispose of property (Section 12).
- The sale is financially prudent (Sections 100–102).
- No mandatory public consultation is required for this transaction.

**FUNDING/BUDGET IMPLICATIONS**

<b>Budget Funding Information</b>	<b>Relevant Detail</b>
	If Council chooses to sell, there will be a small brokerage cost to Council.

## 11 INFORMATION FOR RECEIPT

### 11.1 LOCAL GOVERNMENT OFFICIAL INFORMATION REQUEST - QUARTER 4 REPORT (2024/25)

File Number: A6736143

Author: Lizzie McEwan, Executive Assistant and Privacy and Official Information Advisor

Authoriser: Rachael Davie, Deputy CEO/General Manager Strategy and Community

#### EXECUTIVE SUMMARY

- The purpose of this report is to provide appropriate data to the Committee on all official information requests received under the Local Government Official Information and Meetings Act 1987 (LGOIMA) for quarter 3 of the 2024/2025 financial year.

#### LATEST PUBLISHED RESPONSES

- The table below shows the published responses to information requests during quarter 3 of the 2024/2025 financial year.

The number of requests received has **decreased** by **22%** since the same quarter of the 2023/2024 financial year.

	January 2025	February 2025	March 2025	Total
<b>LGOIMA received</b>	13	13	20	<b>46</b>
<b>LGOIMA decision sent within statutory timeframe (20 business days)</b>	13	12	16	<b>41</b>
<b>Number of responses published</b>	0	1	2	<b>3</b>
<b>Average working days taken to make decision</b>	9	12	16	<b>-</b>
<b>LGOIMA extensions</b>	0	0	1	<b>1</b>
<b>LGOIMA refused in full</b>	1	0	2	<b>3</b>
<b>LGOIMA partially withheld or refused</b>	3	4	3	<b>10</b>
<b>LGOIMA transferred to another agency</b>	0	0	0	<b>0</b>



### SUMMARY OF RESPONSES

3. The table below shows a summary of the requested information along with Council's response to each under LGOIMA for quarter 3 of the 2024/2025 financial year.

Month	Subject	Group
January	Housing needs and developments	Strategy and Community Group
January	Building consent data	Regulatory Services Group
January	Representation review submissions	Strategy and Community Group
January	Residential property - Fire hazard information	Regulatory Services Group
January	Dog and animal control funding	Regulatory Services Group
January	Residential property - Fire hazard information	Strategy and Community Group
January	Te Puna Station Road - Environment Court Hearing Details	Strategy and Community Group
January	Resource consent application - Glen Isla Protection Society (GIPS)	Infrastructure Services Group
January	Residential property information	Regulatory Services Group
January	Water treatment plant reports and certification	Infrastructure Services Group
January	File of complaints and allegations against neighbour	Regulatory Services Group

<b>Month</b>	<b>Subject</b>	<b>Group</b>
January	District Court decision – Bledisloe Park	Infrastructure Services Group
January	Residential property – Noise control report	Regulatory Services Group
February	Drinking water research	Infrastructure Services Group
February	Off-licences data	Regulatory Services Group
February	Three Mile Creek – Consent conditions compliance	Infrastructure Services Group
February	Copies of correspondence between parties pertaining to Te Puna Station Road	Regulatory Services Group
February	Hairdressing salons and barber shop data	Regulatory Services Group
February	Residential property – Original land swap proposal document	Regulatory Services Group
February	Building consent data	Regulatory Services Group
February	Residential property – copies of complaints made to Council	Regulatory Services Group
February	Dog impound information	Regulatory Services Group
February	Decisions on silica and water quality in Ōmokoroa	Infrastructure Services Group
February	Annual budget figures for the cost of running Community Boards	Corporate Services Group
February	Petitions data	Strategy and Community Group
February	Water treatment plant reports and certification	Infrastructure Services Group
March	Land use consents in the Minden since 2022	Regulatory Services Group
March	Roading works at Apata Station Road	Infrastructure Services Group
March	History of Kuka Road, Te Puna	Corporate Services Group
March	Average cost of rates	Corporate Services Group
March	Pedestrian crossings	Infrastructure Services Group
March	Three Mile Creek – Hearing process	Infrastructure Services Group
March	Music licensing fees	Corporate Services Group
March	Residential property – Application to build	Regulatory Services Group
March	Elections data	Strategy and Community Group
March	Rates and resource consent payments	Corporate Services Group
March	TECT Park – Lease agreements	Infrastructure Services Group
March	Dangerous, affected, and insanitary buildings	Regulatory Services Group

Month	Subject	Group
March	Residential property – Resource consents	Regulatory Services Group
March	Mixed-use rural drinking water supplies	Infrastructure Services Group
March	Sawmill resource consent	Regulatory Services Group
March	Liquor license data	Regulatory Services Group
March	Cost to repair potholes	Infrastructure Services Group
March	Cost of Council projects	Corporate Services Group
March	Residential property – Through road plans	Regulatory Services
March	Resource Management (Discount on Administrative Charges) Regulations 2010	Regulatory Services

### PRIVACY REQUESTS AND BREACHES

4. Only one request for private information was received during the month of January for quarter 3. This response was responded to in full and within the legislative timeframe of 20 business days.
5. A privacy breach occurs when an organisation or individual either intentionally or accidentally:
  - a) Provides unauthorised or accidental access to someone's personal information.
  - b) Discloses, alters, loses, or destroys someone's personal information.
  - c) A privacy breach also occurs when someone is unable to access their personal information due to, for example, their account being hacked.
6. Under the Privacy Act 2020, we are required to report all privacy breaches that either has, or is likely to, cause anyone serious harm to the Privacy Commissioner.
7. Seven breaches of privacy have occurred and been reported as minor for quarter 3 of the 2024/2025 financial year. These breaches are outlined in the table below.

Month	Breach detail	Number of persons affected	Classification	Reported to the Privacy Commissioner
February	Email error – Incorrect recipient	1	Minor	N/A
February	Email error – Incorrect recipient	1	Minor	N/A
March	Postal error – Incorrect recipient	1	Minor	N/A
March	Email error – Incorrect recipient	1	Minor	N/A

Month	Breach detail	Number of persons affected	Classification	Reported to the Privacy Commissioner
March	Email error – Incorrect recipient	1	Minor	N/A
March	Postal error – Incorrect recipient	1	Minor	N/A
March	Email error – Incorrect recipient	1	Minor	N/A

### OMBUDSMAN COMPLAINTS

8. There are no complaints received or open for investigation by the Office of the Ombudsman for quarter 3 of the 2024/2025 financial year.



## 12 RESOLUTION TO EXCLUDE THE PUBLIC

### RESOLUTION TO EXCLUDE THE PUBLIC

#### RECOMMENDATION

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
12.1 – Litigation Register Update – May 2025	s7(2)(g) – the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) – the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7