



**Western  
Bay of Plenty**  
District Council

Te pūrongo  
ā-tau whakarāpopotonga  
**Summary  
Annual Report**

For the year ending  
30 June 2022

Rārangi upoko  
**Contents**

Disclaimer.....	4
From Mayor James Denyer .....	5
Our District - key facts.....	9
Finance summary overview .....	11
Role of this Annual Report.....	13
Planning and reporting framework .....	13
Annual Report.....	13
Summary Annual Report.....	13
Key performance measures: results .....	14
Summary extract from the statement of accounting policies for the year ended 30 June 2022 .....	22
Statement of comprehensive revenue and expenditure for the year ended 30 June 2022 .....	28
Statement of comprehensive revenue and expenditure for the year ended 30 June 2022 .....	29
Statement of changes in net assets/equity for year ended 30 June 2022.....	31
Statement of financial position as at 30 June 2022 .....	31
Statement of cash flows for year ended 30 June 2022 .....	33
Summary of cost of services.....	34
Statement of commitments at 30 June 2022 .....	35
Related party transactions .....	38
Transactions with Councillors and key management personnel.....	38
Events after balance date .....	38
Audit report .....	39

# Disclaimer

The specific disclosures in this financial summary have been extracted from the full financial report dated 22 December 2022. It has been prepared in accordance with FRS 43: Summary Financial Reports.

The summary financial statements have been extracted from the full financial statements. This summary cannot be expected to provide as complete an understanding as provided by the full financial report of the financial and service performance, financial position and cash flows of the Western Bay of Plenty District Council.

The summary has been examined by the auditor for consistency with the full financial report and audited by Audit New Zealand on behalf of the Office of the Auditor General. An unqualified audit opinion was issued on 22 December 2022.

LGA 98 (4) requires that;

A local authority must, within 1 month after the adoption of the annual report, make publicly available:

- (a) Its annual report; and
- (b) A summary of the information contained in its annual report.

Western Bay of Plenty District Council was not able to meet requirement (b) for the year ended 30 June 2022 meaning Western Bay of Plenty District Council was in breach of this section. This was due to resourcing constraints with Audit staff (auditor shortage in New Zealand) as well as statutory holiday delays.

A copy of the Western Bay of Plenty District Council 2021/22 Annual Report is available to view from Council's Head Office, Barks Corner, Greerton, Tauranga or Council's website [westernbay.govt.nz](https://westernbay.govt.nz).

This summary and the full Annual Report were authorised for issue by the Council on 2 February 2023. The full Annual Report is available from Council offices or can be downloaded at [westernbay.govt.nz/annual-reports](https://westernbay.govt.nz/annual-reports)



## From Mayor James Denyer

**Tēnā koutou,**

**It has been another challenging year for many people in the Western Bay.**

Uncertainty caused by the ongoing COVID-19 pandemic, supply chain issues, and the volatile economic environment (increasing inflation and interest rates).

As a Council we face these same challenges, navigating the pressure on our operations and finances to keep our District thriving for future generations.

This means ensuring infrastructure continues to meet the needs of our communities, provides for economic, cultural, social and environmental aspects of wellbeing and provides infrastructure to enable further growth to occur.

The Western Bay economy has shown great resilience in the face of such challenges, and I am proud of the way that our people have adapted and are moving forward in the new environment.

A big win for us was securing \$38 million from the Kāinga Ora-led Infrastructure Acceleration Fund to upgrade the State Highway 2 / Ōmokoroa Road intersection.

It's been a long journey to get here, but with funding secured we can now address the existing safety and capacity issues at the intersection, unlocking critical new housing potential in Ōmokoroa.

We expect more than 900 new homes will be constructed across Ōmokoroa by 2029 - including a mix of standalone homes, affordable homes and medium density housing - and so this interim roundabout is a critical piece of infrastructure to accommodate this growth.

Speaking of planning for growth, we kicked off our long-awaited District Plan review. A one in 10-year project, our Your Place Tō wāhi campaign is where we can work together to care for the places we love, and make the best decisions for our communities now and into the future.

### ***We're in a good place financially***

For the fourth straight year we maintained our AA credit rating with global credit ratings agency, Standard and Poor's.

Maintaining this strong credit rating is important as we face future challenges from global economic uncertainty, and closer to home, increasing interest rates and the cost of supplies, or general living.

### **Key highlights include:**

- A \$7.2 million increase in subsidies and grants as a result of Waka Kotahi and Crown Infrastructure Partners funding.
- \$40.9 million investment in capital expenditure on our infrastructure assets which is a \$7.9 million increase from the previous year.
- A \$122.2 million non-cash gain resulting from an appreciation in value of our assets through the revaluation process which happens every year for roading assets and every three years for all other asset classes.

Looking ahead, 2023 will see us having some big decisions to make financially as we all grapple with the national, and international, economic climate.

But I can assure you we will work hard to take a prudent and balanced approach to financial management while delivering the important infrastructure, services and facilities that the Western Bay relies on.

### ***Celebrating our successes***

In the last 12 months Council has celebrated many achievements. Some highlights include:

- **We formalised our commitment in writing to return the 172 hectares of land, commonly known as Panepane Pūrākau on Matakana Island, to the local hapū.** The signing of the deed by Council and the five hapū of Matakana and Rangiwaia Islands - Ngai Tuwhiwhia, Ngati Tauaiti,

Te Ngare, Te Whānau a Tauwhao and Ngai Tamawhariua – follows Council’s unanimous decision in October 2020 to return the whenua.

- **We introduced livestreaming to all Council and committee meetings**, via our YouTube channel, to enable a greater public participation.
- **We resealed 57km of road through our summer reseal programme.** Seal extensions completed have included Williams Road, Mountain Road and Valley View Road.
- **We completed the \$1.06 million revamp to Ōmokoroa Domain** with a destination playground featuring swings, trampolines, tunnels, climbing structures and a mouse wheel.
- **We allocated \$3.42 million of Crown Infrastructure Partners funding to improving and upgrading** wastewater and water infrastructure to and for marae and papakāinga housing. This enabled 15 Marae to either upgrade their Onsite Effluent Wastewater Treatment (OSET) system or to connect to Council’s wastewater network – minimising environmental effects, ensuring sanitary conditions and allowing the marae to be fully functional.
- **Our Kerbside Collective service had a phenomenal first year** with Western Bay residents stopping 3300 tonnes of material from going to landfill – 1376 tonnes of glass, 575 tonnes of food waste and 1349 tonnes of mixed recycling.
- **TECT Park clinching the Active Park/Sportsground category at the Green Pavlova Awards.**

The park was also a top 10 winner in the Green Flag International People’s Choice Award. All the Green Flag Award winning parks from around the world are entered in a people’s choice contest with the top park from each nation claiming a coveted spot in the top 10. TECT Park was the highest voted park from Aotearoa New Zealand.

### ***Keeping an eye on the reforms***

One thing we cannot ignore is that local government is facing reviews and reforms from central government that will have a major impact on the role councils have in the community.

These reforms include: Three Waters, Resource Management Act and the Future for Local Government.

The reforms aim to achieve better outcomes for communities and the environment, deliver efficiency improvements, and give effect to the principles of Te Tiriti o Waitangi.

The reviews and reforms provide considerable opportunity to further the purpose of local government and will fundamentally change the system that local government operates within, including how decisions are made and by whom, what local government does and how it does it, and who local government needs to work with to enable community wellbeing.

As a Council we are committed to being future ready and will be keeping across the reform process as it begins to take shape.

Our community is important to us and we will continue to advocate for them at all levels and at every opportunity.

### ***Looking ahead***

2022/23 is shaping up to be a big year of mahi for us as we continue our Your Place Tō wāhi (District Plan Review) kōrero and start the journey that is our Long Term Plan 2024-34. Plus, a few other key planning projects.

I cannot stress how important these kōrero will be as we work together to outline what the community want to achieve in the long term and establish a pathway for Council to make this a reality.

At certain times along the way we will be keen to get your thoughts, and so I encourage you to take part, as the feedback you share with us throughout the process will help set our priorities as we embark on a new journey to plan for change and growth.

Work will also continue with neighbouring councils, central government and key agencies to progress the development of the sub-region.

The Joint Spatial Plan and Transport System Plan are key initiatives within this - outlining the plans to integrate growth and transport planning in the sub-region in the long term (50+ years).

We will be paying close attention to the 2023 general election and potential impact on the local government operating environment. We will be ready to adapt quickly while being pragmatic, prudent and inclusive in taking the Western Bay forward.

Ngā mihi nui



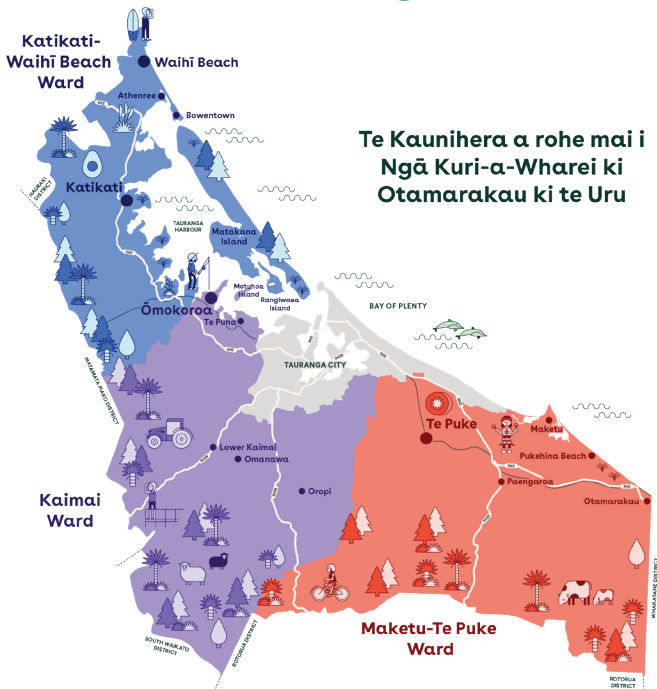
James Denyer

**Mayor**

**Western Bay of Plenty  
District Council**



# Our District - key facts



## Katikati/ Waihi Beach Ward

- Estimated population of **14,370**.
- The projected population in 2063 is **17,200**.
- **35%** increase of Asian ethnicity, while Pacifica ethnicity increased **26%**.
- **40%** of households were 'couples' according to the 2018 Census.

## Kaimai Ward

- Estimated population of **19,014**.
- The projected population in 2063 is **28,500**.
- **Over 90%** of people indicated they were of European ethnicity (2018 Census).
- **15%** of people indicated they are of Māori ethnicity.

## Te Puke/ Maketu Ward

- Estimated population of **18,940**.
- The projected population in 2063 is **21,690**.
- **28%** of the people indicated they were of Māori ethnicity in 2018. **12%** indicated they were Asian.
- **50%** increase to the Asian and Pacifica ethnicities between 2013 and 2018 (2018 Census).

## Key statistics

Please note: At the time of publication, financial information for the 2022/23 year was based on forecast and unaudited.



### The District's size

covers 195,000 hectares of land, 202 kilometers of harbour, and 55 kilometers of ocean coastline.



### Geographic communities

- 58 percent rural
- 42 percent urban



### 21 percent

of residents in the District are over 65-years-old, higher than the national average of 15 percent.



### 19 percent

of the population in the District are less than 15-years-old, very close to the national average of 20 percent.



### 19 percent

of the District's population identify themselves as Māori which is higher than the national average of 17 percent.



### Ethnicity

- 71 percent Pākehā
- 19 percent Māori
- 3 percent Pacifica
- 7 percent Asian



### Tangata Whenua

11 Iwi groups

- 74 Hapū
- 23 Marae



### The future

In 2018, the estimated population of the Western Bay of Plenty District was 58,329. This is predicted to grow to 71,387 by 2052.



## District climate

The District has a warm, sunny climate with an average of 2346 sunshine hours per year.



## District rainfall

The District has a moderate rainfall of 1200-2400mm per year.



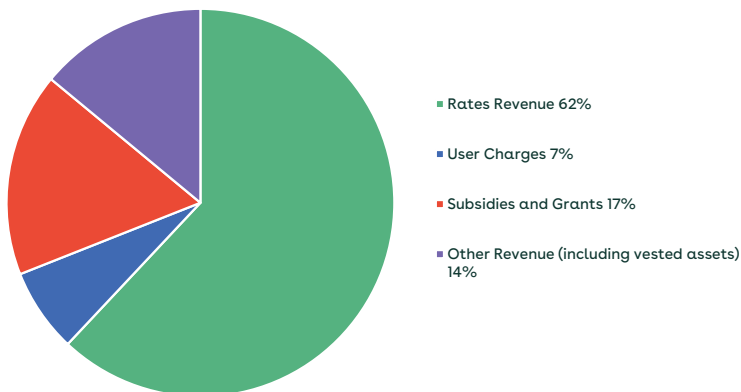
## Agriculture and horticulture

These are the main economic drivers in the Western Bay of Plenty District, and the greater Tauranga and Western Bay sub-region.

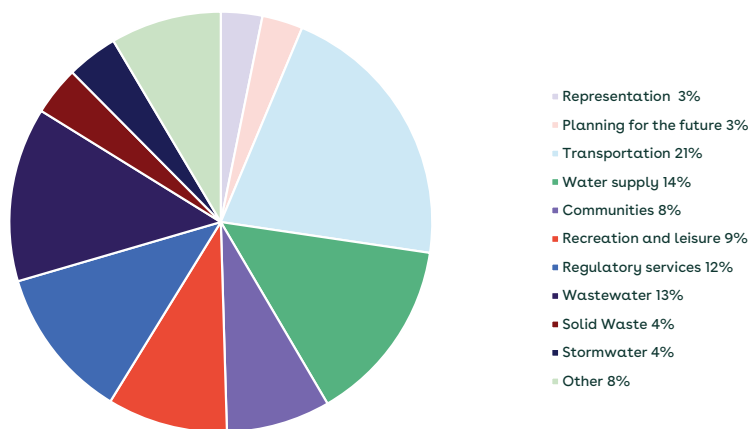
# Finance summary overview

Western Bay of Plenty District Council has reported a net surplus of \$24.6 million compared with a budgeted operating surplus of \$18.5 million. The major contributor to this increased surplus was subsidies and grants and vested assets.

**Graph 1**  
*Council Revenue 2021/22 \$143 million*



**Graph 2**  
*Council operating expenditure 2021/22 \$110.4 million*



## The Council



Currently owns **\$1.66 billion** worth of physical assets as at 30 June 2022, compared to \$1.51 billion in 2021.



Net debt is **\$59.5 million** as at 30 June 2022, compared to \$64.2 million in 2021.



Overall the District has equity of **\$1.61 billion** as at 30 June 2022, compared to \$1.46 billion in 2021.

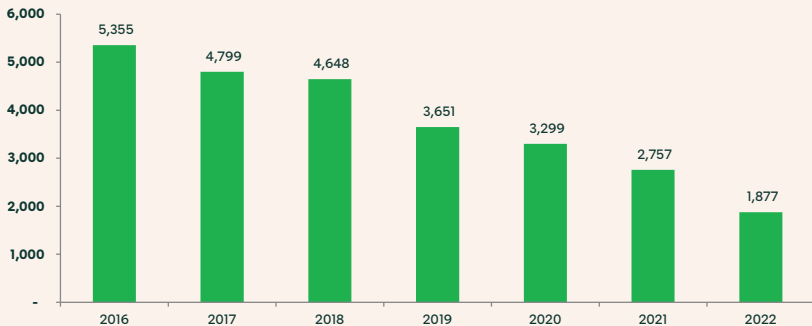


**\$40.9 million** of capital expenditure was spent on infrastructure and assets in 2021/22, compared to \$33 million in 2020/21.



**\$135 million** of total income generated in 2021/22, compared to \$124.1 million in 2020/21.

Net debt per rateable property



# Role of this Annual Report

This Annual Report is provided to compare Western Bay of Plenty District Council's actual performance for the year against what was forecast in the Long Term Plan or Annual Plan.

## Planning and reporting framework

Under the Local Government Act 2002, a Local Authority must prepare and adopt the following documents:

### Long Term Plan (LTP)

(Section 93 of the Local Government Act 2002) identifies Western Bay of Plenty District Council's plans for the Western Bay over a 10 year period. It is reviewed every three years. Council's latest LTP was agreed in 2021 and came into effect on 1 July 2021.

### Annual Plan

(Section 95 of the Local Government Act 2002) is produced in the two intervening years between each LTP.

It outlines any significant changes Council has made to the LTP and contains the annual budget.

## Annual Report

(Section 98 of the Local Government Act) provides details of Council's actual performance for all activities against the plans for a specific year of the LTP or Annual Plan.

## Summary Annual Report

(Section 98 (4)(b) of the Local Government Act) provides a summary of information contained in Council's Annual Report.

## Bringing the planning process together

### Community Outcomes

How the Community wants the District to be.

### Long Term Plan

How the council will go about achieving the Community Outcomes.

### Annual Report

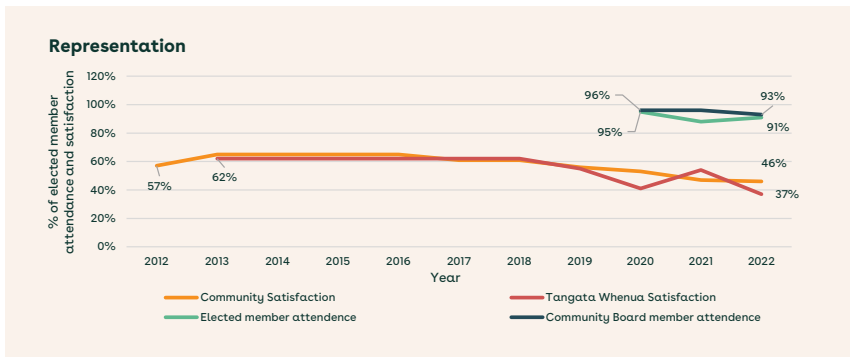
What was achieved.

### Annual Plan

Annual Budget.

# Key performance measures: results

## Leadership

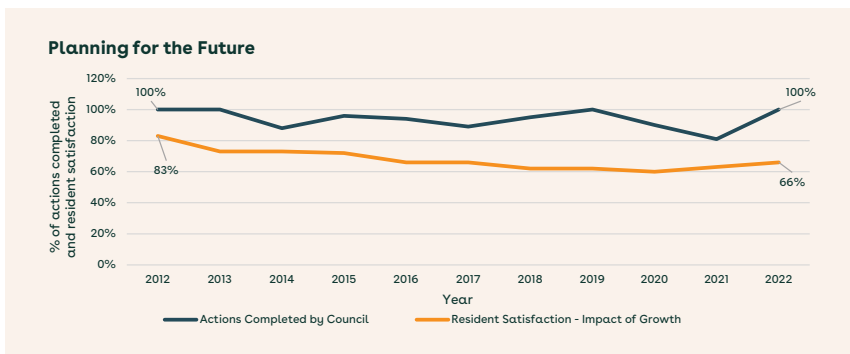


### Elected Member attendance -

the attendance of elected members at Council meetings and Community Board meetings remains consistently high. In 2022 the target of 80% was achieved in both instances. Council meetings had a 93% attendance and Community Boards 91%.

### Satisfaction with Council performance -

this monitors the level of community and tangata whenua satisfaction. The community satisfaction with Councillor and Community Board representation was 46%. The level of tangata whenua satisfaction increased to 37%.



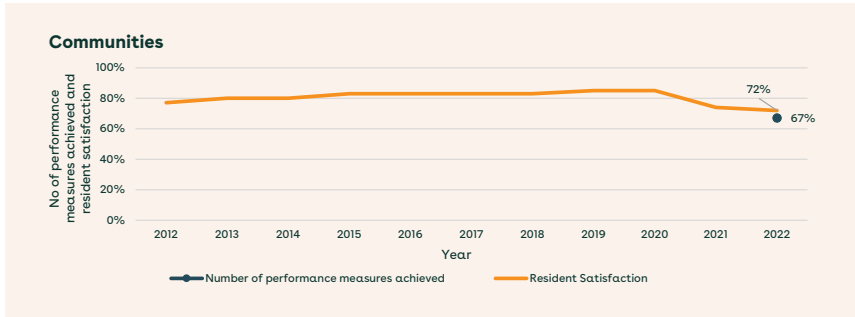
### Actions completed by Council as defined in the Council approved work programme -

100% of actions scheduled for 2021/22 year were completed.

### Resident satisfaction with the impact of growth on the District -

the factors monitored include lifestyle, range of housing choices, personal and road safety, travel time, and employment opportunities. The 2022 survey revealed a satisfaction level of 66%. Key reasons for dissatisfaction are traffic congestion and housing affordability.

# Building Communities

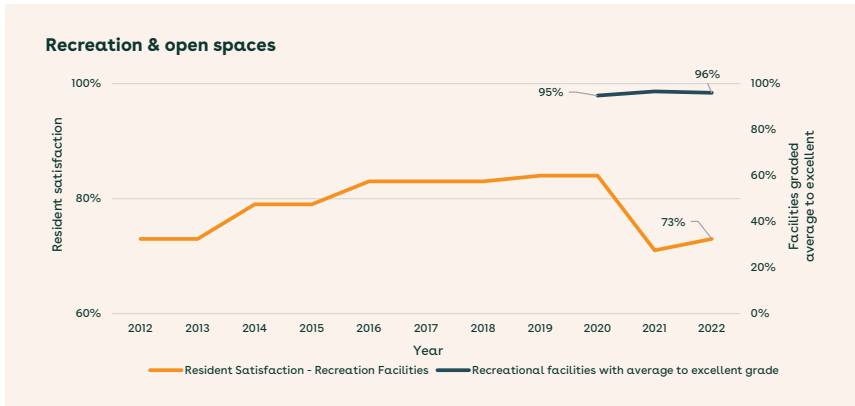


## Community targets achieved -

this monitors the achievement of all the targets set for levels of service. For the 2022 year 67% of the measures were achieved against a target of  $\geq 70\%$ . This activity was impacted by COVID-19 as not all planned services could be provided.

## Resident satisfaction with Community Development -

on a two yearly basis, this survey monitors satisfaction with the community development programme. The 2022 survey revealed an 72% satisfaction. Key reasons for dissatisfaction is range of library books, cemetery maintenance and lack of visibility for community development.



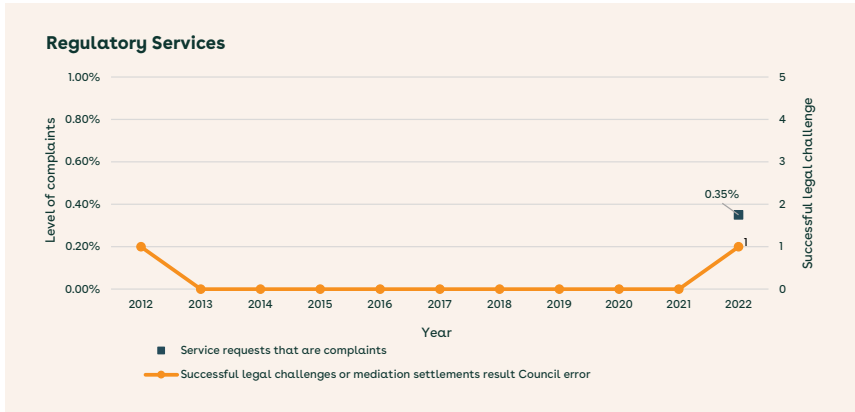
## Facilities graded average to excellence -

this monitors quality of recreational facilities provided throughout the district. The 2022 result showed 96% of recreational assets achieved average to excellent rating.

## Resident satisfaction with Reserves & Recreational Facilities & Amenities -

the level of satisfaction with recreational facilities and amenities in 2022 was 73%. The key reason for dissatisfaction was insufficient facilities across the District.

# Building Communities

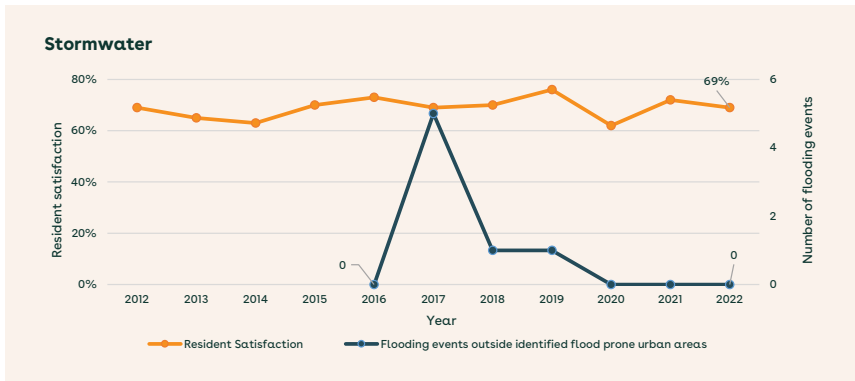


## Successful legal challenges or mediation settlements as a result of Council error -

this monitors instances where there has been a successful legal challenge or mediation settlements as a result of Council error. In 2022 in the building consent activity there was one successful challenges as a result of Council error.

## Service requests that are complaints -

this monitors the level of complaints received about council regulatory processes. A total of 3,462 regulatory services requests were received of which 12 (0.35%) were complaints.



## Number of flooding events outside identified flood prone areas -

this monitors flooding that occurs in areas outside identified flood prone areas. In 2022 there were no flood events outside a flood prone area.

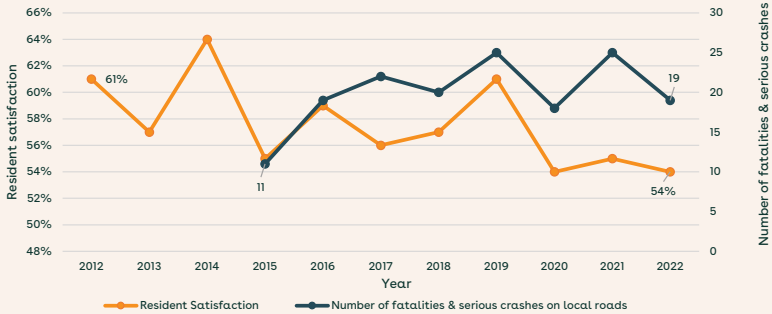
## Resident satisfaction with Stormwater systems -

the level of satisfaction with stormwater systems in 2022 is 69%. This is a slight decrease from the 2021 result of 72%.



# Building Communities

## Transportation



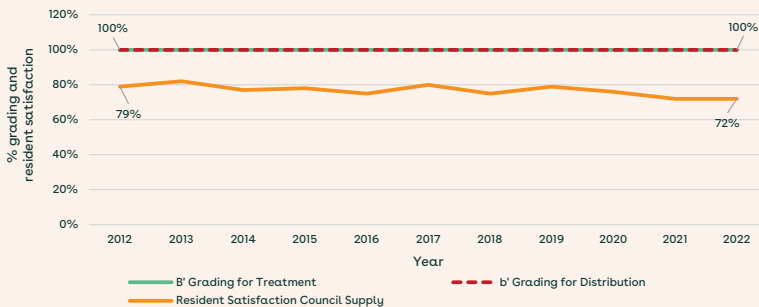
### Number of fatalities and injury crashes on the local road network -

In 2022 there were 19 fatality and serious injury crashes on our local road network. This is an increase of 5 from 2021. This is impacted by the significant growth within the District and the increased number of vehicles on our road network.

### Resident satisfaction with Transportation -

This survey monitors the level of satisfaction with roading, cycleways and walkways. In 2021 the level of satisfaction was 55%. This is consistent with the 2020 result of 54%. Key reasons for dissatisfaction are road maintenance and need for road widening.

## Water Supply



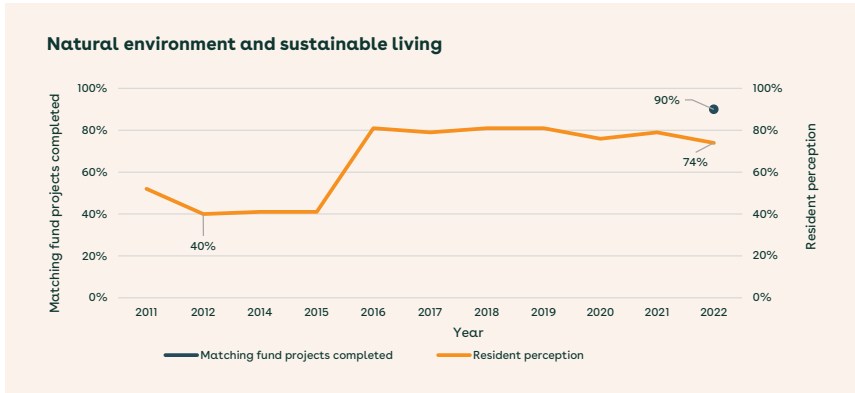
### Water supply with Ministry of Health grading 'Bb' for treatment and distribution -

For the Council supply areas 100% achieved a 'B' grading for treatment, and 100% achieved 'b' for distribution.

### Resident satisfaction with the quality of Council Water Supply -

This survey monitors the level of satisfaction with the Council water supply. In 2022 the level of satisfaction was 72%. Key reasons for dissatisfaction were level of silica, mineral and chemicals in the water.

# Protecting the environment

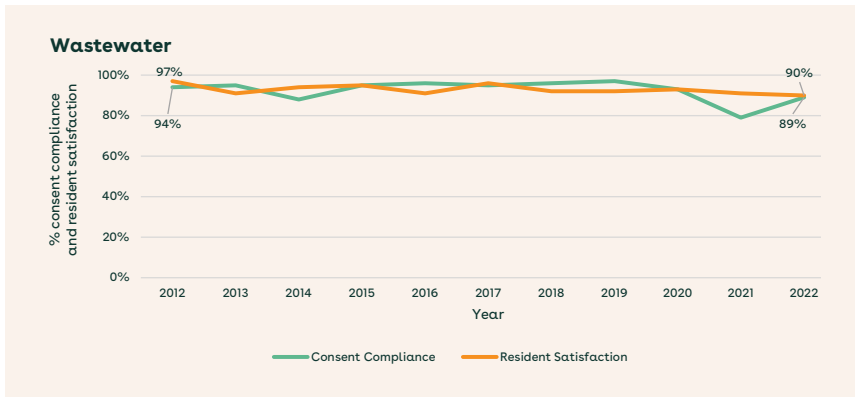


## Community matching fund projects completed -

the community matching fund provides community funding for environmental initiatives. Of the environmental projects granted funding, 90% were completed in 2022.

## Resident perception of an improvement in environmental features -

2022 result 74% which is a slight decrease from 2021 result of 79%. From 2016, monitoring included those who perceive the environmental attributes have been maintained (i.e. it is neither better or worse).



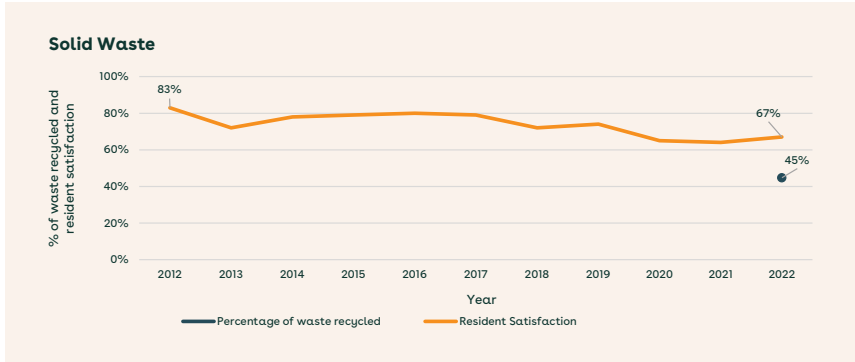
## Level of compliance with resource consents -

all wastewater treatment plants are monitored to ensure compliance with resource consent conditions. In 2022, targets at treatment plants were achieved except for Katikati which has capacity issues.

## Resident satisfaction with sewage disposal systems -

the level of satisfaction with Council sewage disposal systems is 90% which is consistent with 2021. Key reasons for dissatisfaction was the cost of the service.

# Protecting the environment



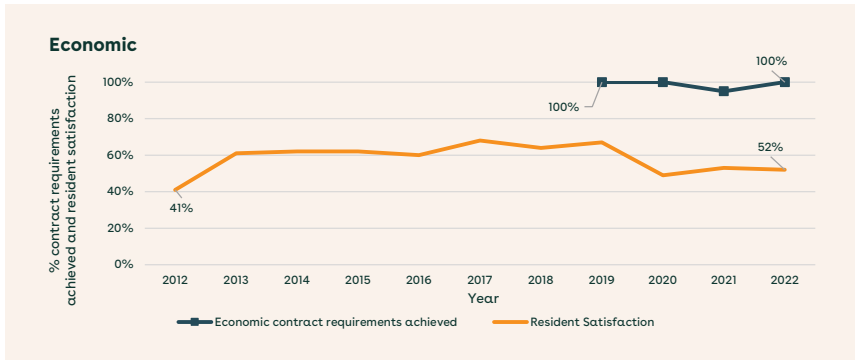
## Waste recycled -

The new kerbside service commenced in July 2021. A total of 7376 tonnes of waste was collected of which 44.7% was recycled. This exceeds the target of ≥33%

## Resident satisfaction with household rubbish disposal methods -

the level of satisfaction with household disposal methods was 67% in 2022. Key reason for dissatisfaction is the need for more recycling options and transfer stations.

# Supporting our economy



## Economic contracts where key contract requirements were achieved

All economic contractors met the requirements of their contract.

## Resident satisfaction with promoting business and employment opportunities

this survey monitors satisfaction with town centre promotion, events, tourism, and promotion of business and employment opportunities.

# Support Services

## Overview

Strategies within our Corporate Plan guide the activities that support our staff to produce their best work and deliver the highest standards of service to our customers. Support services include communication and community engagement, relationship management, customer services, information management, information technology, financial management, corporate assets, procurement, risk management, and quality management.

## Highlights

During the year work commenced on some of the initiatives identified in the 2020 Corporate Plan. This included:

- A sustainability initiative and the implementation of the carbon and energy management programme.
- Implementation of an electronic timesheet system.
- Specification and development of automated financial systems.

The introduction of the new kerbside waste collection contract and the new three waters maintenance contract required significant input from support services. In particular the IT focus was to work with the agreed contractors and partners on developing integrated systems to provide a seamless customer experience.

## Future initiatives

The development of our internal systems and processes to achieve efficiencies and enhance the services to customers will continue. This includes:

- The scope and development of the customer relationship module.
- Project management methodology and resourcing.
- Scope and development of financial modelling tools.
- Continuation of the corporate sustainability programme including the application for carbon reduction certification through Toitū Envirocare.

<b>Corporate support activity</b>	<b>What this activity does</b>	<b>Strategic approach</b>
Customer services	Ensure customers receive timely, accurate and user friendly information, service and advice.	Focus on understanding the diversity of customers and their needs and respond to them effectively.
Communications and community engagement	Ensure customers and communities are engaged and kept informed.	Provide engagement opportunities and communications that are targeted to identified, diverse customer groups.
Relationship management	Maintain effective relationships with residents and key communities of interest.	The purpose of key relationships are clearly understood and our obligations to Māori under the Treaty of Waitangi are fulfilled.
Human resources	Manage workforce capability and capacity.	Future workforce needs are understood so staffing levels, skills and competencies are available to deliver the agreed services to the community.
Information management	Ensure data is accessible, clear and secure.	Information is managed to ensure it is easily accessible, the integrity of the data is maintained and it is used to add value to decision-making
Information technology	Ensure information systems are integrated, secure and responsive to business needs.	Smart use of technology to achieve agreed strategic initiatives and optimise the customer experience.
Financial management	Provide comprehensive financial planning and monitoring services.	Timely, accessible and reliable information is available to inform decision-making, both for staff and elected members
Corporate assets	Sustainably manage Council's corporate buildings, equipment, vehicles and land.	Assets, planning and property staff work together to enable the sustainable development of corporate property, equipment and vehicles.
Procurement	Ensure services purchased provide the best value for money, are sustainable and environmentally responsible.	Sustainable purchasing practices that demonstrate value for money are environmentally responsible.
Risk management	Identify, minimise or mitigate risks.	Integrated risk Management information to inform decision-making and ensure continuity of Council services
Quality management	Document and review key processes to ensure knowledge is maintained and opportunities for improvement identified.	Documentation of key processes secures knowledge and facilitates opportunities for improvement.

# Summary extract from the statement of accounting policies for the year ended 30 June 2022

## Reporting entity

Western Bay of Plenty District Council (the Council) is a territorial local authority established under 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 provides local infrastructure, local public services, and provides regulatory functions to the community. The Council does not operate to make a financial return.

The reporting date of the Council and the associate is 30 June.

The Council has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice (GAAP).

The financial statements of the Council are for the year ended 30 June 2022. The financial statements were authorized for issue by Council on 22 December 2022.

## Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

## Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with NZ GAAP.

The financial statements have been prepared and comply with PBE Accounting Standards.

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

### ***Cash Flow Statements***

These amendments require additional disclosures that enable users of financial statements to evaluate cash and non-cash changes in liabilities arising from financial activities. It is effective for reporting periods on or after 1 January 2021. Refer to Note 33 for information on reconciliation of liabilities from financing activities.

## **Standards issued and not yet effective, and not early adopted**

### ***PBE IPSAS 41 Financial Instruments***

PBE IPSAS 41 Financial Instruments was issued in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which is issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Council has assessed and considered the differences between PBE IFRS 9 and PBE. The adoption will not result in any significant impact on the financial statements.

### ***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. The Council has not yet determined how application of PBE FRS 48 will affect its statement of service performance. It does not plan to early adopt the standard.

## **Changes in accounting policies**

### ***Software-as-a-Service (SaaS) arrangements***

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC), a committee supporting profit-oriented reporting, published an agenda decision clarifying how configuration and customization costs incurred in implementing SaaS should be accounted for.

The IFRIC concluded that SaaS arrangements are service contracts providing the customer with the right to access the SaaS provider's application software over the contract period. Costs incurred to configure or customize software in a cloud computing arrangement, can be recognized as intangible assets only if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognized as intangible

software assets and amortised over the useful life of the software on a straight-line basis. The useful lives are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

The New Zealand Accounting Standards Board has not issued similar guidance, however, in the absence of a PBE standard dealing with these costs, management considers the IFRIC decision relevant to the accounting for similar types of arrangements of Council in accordance with PBE IPSAS 31 Intangible assets.

The Council has changed its accounting policy from 1 July 2021 to be consistent with the IFRIC agenda decision.

The impact of the change in accounting policy is that some intangible assets that were previously capitalised no longer meet the criteria for capitalisation and therefore have been expensed.

## **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 38. The remuneration, severance payments are rounded to the nearest dollar.

## **Three Water Reform Programme**

In October 2021, the Government confirmed that it will introduce legislation to create four publicly owned water entities, and the Council's participation in the proposed reform will be mandatory.

These entities will own and operate drinking water, wastewater and stormwater (three waters) services across New Zealand. The Department of Internal Affairs is tasked with the successful implementation of these reforms and will work with the local government sector, iwi, water industry and other stakeholders to ensure a smooth transition to the new arrangements.

Subsequently, on 02 June 2022, the government introduced the Water Services Entities Bill in the House of Representatives. After the first reading on 09 June 2022 the Bill was referred to the Finance and Expenditure Committee which is to report back to the House of Representatives by 11 November 2022.

The Water Service Entities Bill proposes to create four publicly owned water services entities that would take on responsibility for delivering water services to a specific geographical area, from 1 July 2024.

Further clarification of the transition to the new water services entities is expected to be released in legislation later in 2022 and 2023.



High level guidance has been issued that outlines which assets transfer to the new entity, however there is not yet enough clarity to be able to quantify the financial impacts on asset values, revenue and associated debt with any certainty.

## Statement of Significant Accounting Policies

### Basis of consolidation

#### *Investment in associate*

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 using the equity method. The investment in the 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 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.

In 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 recognised.

### ***Critical accounting estimates and assumptions***

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 or 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 – see Note 21
- Estimating the fair value of forestry assets – see Note 23.
- Estimating the retirement and long service leave obligations – see Note 26.
- Estimating the landfill aftercare provision – see Note 27.

## ***Infrastructural assets***

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example Western Bay Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example, stormwater, wastewater and water supply pipes which are underground. This risk is minimised by Council performing a combination of physical inspections and condition modeling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates being made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the assets, then Western Bay Council could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income.

To minimise this risk Western Bay infrastructural assets useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines, published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modeling are also carried out regularly as part of the Western Bay Council's asset management planning activities, which gives Western Bay Council further assurance over its useful life estimates.

Experienced independent valuers perform the Western Bay Council's infrastructural asset revaluations.

## ***Critical judgements in applying accounting policies***

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

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

The airport land consists of some 225Ha of land of which some 86ha is jointly owned by Tauranga City Council (TCC) and Western Bay Council. TCC are the legal owners of the land and Western Bay Council are the beneficial or equitable owners of the jointly owned land. Western Bay Council own 14.45% of the jointly owned land. The jointly acquired land is held by TCC on trust for itself and Western Bay 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 owned airport land is sold and the principal use of the land is no longer an airport then a liability to Western Bay Council is created for the sale price of the jointly owned land at that point.

### ***Classification of property***

Western Bay 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 as part of the Council's social housing policy. The properties are therefore accounted for as property, plant, and equipment rather than as investment property.

### ***Accounting for donated or vested land and buildings with use or return conditions***

Western Bay 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 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.

# Statement of comprehensive revenue and expenditure for the year ended 30 June 2022

	Note	Actual \$'000 2022	Budget \$'000 2022	Actual \$'000 2021
<b>Revenue from non-exchanged transactions</b>				
Fees and charges from activities	4	9,372	7,641	10,305
Rate revenue	5, 6 & 7	81,706	83,374	74,827
Fines		126	211	202
Vested assets	9	5,080	2,240	6,216
Financial contributions	11	10,925	11,221	7,572
Subsidies and grants	10	22,098	16,982	14,879
Other revenue	11	494	400	515
Fair value movement in derivative financial instruments	16	9,244	-	5,448
Gains		706	489	413
<b>Revenue from non-exchanged transactions Total</b>		<b>139,752</b>	<b>122,559</b>	<b>120,377</b>
<b>Revenue from exchange transactions</b>				
Finance revenue	8	1,088	263	845
Dividends		262	-	270
Rental Revenue		1,180	746	898
Other exchange revenue	11	1,634	1,773	1,747
<b>Total revenue</b>	<b>2</b>	<b>143,916</b>	<b>125,340</b>	<b>124,138</b>
<b>Expenditure</b>				
Other expenses	12	55,104	52,881	48,783
Personnel costs	13	26,498	26,369	23,444
Depreciation	21	22,708	23,560	23,079
Amortisation	21	845	347	347
Impairment expense	21	1,070	-	-
Unrealised hedging movement	16	-	-	-
Finance costs	8	4,146	3,675	4,593
<b>Expenditure Total</b>	<b>3</b>	<b>110,371</b>	<b>106,832</b>	<b>100,246</b>
Share of associate surplus/(deficit)		58	-	19
<b>Net surplus / (deficit)</b>		<b>33,603</b>	<b>18,508</b>	<b>23,911</b>
<b>Other comprehensive revenue and expenses</b>				
Gains/(Losses) on asset revaluations	21	122,194	30,284	61,871
Other assets at fair value through other comprehensive revenue and expense	28	-	-	98
<b>Total other comprehensive revenue and expense for the year</b>		<b>122,194</b>	<b>30,284</b>	<b>61,969</b>
<b>Total comprehensive revenue and expense for the year</b>		<b>146,846</b>	<b>48,792</b>	<b>85,879</b>

# Statement of comprehensive revenue and expenditure for the year ended 30 June 2022

Western Bay of Plenty District Council has reported a net surplus of \$33.6 million compared with a budgeted operating surplus of \$18.5 million.

The major contributors to the variance were:

Note		
1	Fees and charges	1,732
2	Rates revenue	(1,668)
3	Financial contributions	(297)
4	Vested assets	2,840
5	Subsidies and grants	5,116
6	Gains	217
12	Unrealised Hedging movement	9,244
7	Other revenue	1,392
		<b>18,578</b>

Total expenditure was \$3.5 million over budget.

Note		
8	Other expenses	2,223
9	Personnel	129
10	Depreciation & Amortisation	(354)
11	Impairment Cost	1,070
12	Finance costs	471
13	Share of associate	(58)
		<b>3,481</b>

## 2022 explanations

1. Strong regulatory income relating to application fees and resource consents received compared to budgeted fees.
2. Reduction in rates revenue is primarily due to a reduction in growth for rating units.
3. Financial contributions were lower in 2022 due to slowing down of activities.
4. Vested assets income is higher than budget, this is due to asset revaluation adjustments predominantly in the waters activity.
5. Subsidies and grant income was higher than budget due to timing and availability of capital works eligible for Waka Kotahi and Crown Infrastructure Projects (CIP) funding.
6. Gains were higher than budget due to asset revaluations.
7. Other revenue was higher than budget predominately due to movements in interest and insurance recovery income.
8. Other expenses were higher than budget due to higher costs associated with delivering operational contracts.
9. Personnel costs was higher than budget increased workloads resulting in staff working more hours, new initiatives and new services which were not budgeted.
10. Depreciation and amortisation costs was lower than budget.
11. Impairment costs were recognised for the Waihi Beach Wastewater Treatment Plant which were not budgeted.
12. Finance costs was higher than budget. Unrealised hedging movement was higher than budget due to favourable interest rates.

# Statement of changes in net assets/equity for year ended 30 June 2022

	Note	Retained earnings \$'000	Asset revaluation reserve \$'000	Council reserves \$'000	Total Equity \$'000
<b>Balance at 01 July 2020</b>	<b>28</b>	<b>905,715</b>	<b>431,251</b>	<b>32,332</b>	<b>1,369,298</b>
Total comprehensive income for the year		23,911	61,871	127	85,909
<b>Balance at 30 June 2021</b>		<b>929,626</b>	<b>493,121</b>	<b>32,458</b>	<b>1,455,206</b>
Total comprehensive income for the year		33,603	133,775	307	167,685
<b>Balance at 30 June 2022</b>		<b>963,229</b>	<b>626,895</b>	<b>32,764</b>	<b>1,622,889</b>

# Statement of financial position as at 30 June 2022

	Note	Actual \$'000 2022	Budget \$'000 2022	Actual \$'000 2021
<b>Equity Total</b>		<b>1,622,889</b>	<b>1,562,349</b>	<b>1,455,206</b>
<b>Assets</b>				
<sup>1</sup> Current Assets Total		36,191	42,213	39,417
<sup>2</sup> Non-current assets Total		1,691,200	1,664,339	1,540,487
<b>Assets Total</b>		<b>1,727,392</b>	<b>1,706,552</b>	<b>1,579,904</b>
<b>Liabilities</b>				
Current Liabilities Total		40,736	37,858	37,252
Non-current liabilities Total		63,744	106,345	87,444
<sup>3</sup> <b>Liabilities Total</b>		<b>104,503</b>	<b>144,203</b>	<b>124,696</b>
<b>Net assets</b>		<b>1,622,889</b>	<b>1,562,349</b>	<b>1,455,206</b>

## 2022 explanations

- <sup>1</sup> Debtors and prepayments were \$3,060k lower than last year, this reflects Council working to reduce older debt.
- <sup>2</sup> Some of Council's asset classes were revalued upwards this year.
- <sup>3</sup> Council had \$10m of term debt mature this year.

# Statement of cash flows for year ended 30 June 2022

	Actual \$'000 2022	Budget \$'000 2022	Actual \$'000 2021
<b>Cashflow from operating activities</b>			
Receipts from rates, grants and other services	134,477	127,963	118,069
Interest received	873	408	5,494
Dividends received	262	-	270
Payments to suppliers and employees	(83,162)	(64,923)	(74,830)
Income tax (paid) refund	54	-	155
Interest paid	(4,146)	(6,900)	(4,593)
<b>Net cash inflow from operating activities</b>	<b>48,358</b>	<b>56,548</b>	<b>44,565</b>
<b>Cashflow from investing activities</b>			
Advances to related parties			
Proceeds from sale of property, plant and equipment, investment property and intangible assets	3,912	115	3,505
Acquisition of property, plant and equipment, investment property and intangible assets	(42,435)	(26,281)	(36,853)
<b>Net cash outflow from investing activities</b>	<b>(38,523)</b>	<b>(26,166)</b>	<b>(33,348)</b>
<b>Cashflows from financing activities</b>			
Repayment of borrowings	(10,000)	-	(20,000)
<b>Net cash in flow from financing activities</b>	<b>(10,000)</b>	<b>-</b>	<b>(20,000)</b>
Net (decrease)/increase in cash and cash equivalents and bank overdraft	(165)	17,158	(8,783)
Opening cash and cash equivalents and bank overdraft	25,706	12,382	34,489
<b>Closing cash and cash equivalents and bank overdraft</b>	<b>25,541</b>	<b>29,540</b>	<b>25,705</b>



# Summary of cost of services

## Total operating revenue

	Actual \$'000 2022	Budget \$'000 2022	Actual \$'000 2021
Representation	3,568	3,093	3,179
Planning for the future	3,584	3,885	2,847
Transportation	36,312	35,926	30,220
Water supply	14,775	14,141	14,736
Communities	8,917	9,459	7,650
Recreation and leisure	13,166	11,544	11,191
Regulatory services	12,955	11,994	11,213
Wastewater	19,900	14,466	14,680
Solid waste	4,669	5,571	2,258
Stormwater	7,758	7,220	12,776
Natural environment	1,093	930	874
Economic	902	1,104	811
Council services	16,317	6,094	11,703
<b>Total operating revenue by activity</b>	<b>143,916</b>	<b>125,428</b>	<b>124,138</b>

## Total operating expenditure

	Actual \$'000 2022	Budget \$'000 2022	Actual \$'000 2021
Representation	3,500	3,904	2,723
Planning for the future	3,435	3,886	2,723
Transportation	23,247	23,611	22,876
Water supply	15,711	13,862	17,188
Communities	8,781	10,141	7,615
Recreation and leisure	10,165	8,480	9,354
Regulatory services	12,928	12,226	11,205
Wastewater	14,792	13,491	12,862
Solid waste	4,131	4,803	1,891
Stormwater	4,325	4,338	3,912
Natural environment	1,078	1,214	929
Economic	999	788	929
Council services	7,279	6,090	5,837
<b>Total operating revenue by activity</b>	<b>110,371</b>	<b>106,833</b>	<b>100,246</b>

# Statement of commitments at 30 June 2022

	Actual \$'000 2022	Actual \$'000 2021
<b>Capital commitments approved and contracted</b>	<b>13,277</b>	<b>11,502</b>
<b>Non-cancellable operating lease commitments plant and equipment</b>		
Not later than one year	97	50
Later than one year and not later than two years	60	39
Later than two years and not later than five years	169	118
Later than five years	1,932	1,322
<b>Total non-cancellable operating leases</b>	<b>2,258</b>	<b>1,529</b>

## Other commitments

In November 2014, Western Bay Council entered into a seven year One Network Maintenance Contract with WSP Global Consultants Limited to provide capital and maintenance work to the District's roading network. In 2021 the value of the contract has been increased from \$75.99 million to \$200 million and extended to October 2023. As at 30 June 2022 \$57.46 million remained committed on this contract for the remaining 16 months, including estimated escalations in the contract.

In July 2021, Western Bay Council entered into a five year contract with Downer Ltd for the provision of maintenance and professional services to the utilities network. The value of the contract as of 30 June 2022 is \$40.00 million.

In July 2021 Western Bay Council entered into a five year contract with Envirowaste Ltd for the provision of kerbside waste services. The value of the contract as of 30 June 2022 is \$26.14 million.

As part of these contracts there is ongoing performance and condition monitoring to ensure compliance with the key deliverables and performance of the contract. Failure to meet the deliverables and performance required can lead to termination of the contract.

## Contingencies

	Actual \$'000 2022	Actual \$'000 2021
Building Act claims	50	50
Westhertight Homes Resolution Service (WHRS)	400	400
<b>Total contingent liabilities</b>	<b>450</b>	<b>450</b>

## Other legal proceedings

### ***Building Act Claims***

The Building Act 2004 imposes certain obligations and liabilities on local authorities in respect to the issue of building consents and inspection of work done. At the date of this report, there were no matters under the Act indicating potential liabilities (2021: \$Nil). The \$50,000 disclosed relates to the expected cost to Western Bay District Council. The balance is expected to be covered through insurance.

### ***Unquantified Claims***

There were no additional claims lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2022 (2021: Nil). These claims relate to weather-tightness issues of homes in the Western Bay of Plenty District area and name Western Bay of Plenty District Council as well as other parties. There are a total of 3 claims that are still open as at balance date (2021: 4).

It is not yet certain whether these claims are valid and whom will be liable for the building defects, therefore, Western Bay is unable to assess its exposure to the claims lodged with the WHRS.

The costs of any successful claims against Western Bay with a claim date of 30 June 2009 or earlier are expected to be substantially covered under Western Bay's insurance policies, subject to an excess of \$50,000 per claim.

Any costs associated with a successful claim received after 1 July 2009 will be entirely met by Western Bay. As a result \$400,000 has been recognised as a contingent liability.

Council underwent mediation with a claimant earlier this year. This has been resolved after financial year end.

### ***Carter Holt Harvey Ltd***

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Western Bay of Plenty District Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates.

These proceedings have now been closed as a result of an undisclosed settlement that Councils were not party to. This should now indicate that the potential liability to Western Bay of Plenty District Council is no longer of any concern.

### ***New Zealand Local Government Funding Agency (LGFA)***

Western Bay of Plenty District Council is a shareholder of The New Zealand Local Government Funding Agency Limited. This entity was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. Standard and Poors have given the entity a credit rating of AA+ which is equal top New Zealand Government sovereign rating.

As at 30 June 2022 there were 31 (2021: 31) shareholders made up of 30 local authorities and the Crown.

All 30 local authority shareholders have uncalled capital equal to their individual shareholding and totalling \$20million in aggregate which can be called on in the event that an imminent default is identified. The shareholders are also guarantors of the LGFA balance sheet and the borrowings of all other local authorities which totalled \$15,105m (2021: \$12,810m) at 30 June.

New Zealand Financial International Reporting Standards require Western Bay of Plenty Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that;

- We are not aware of any local authority debt default in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

### ***Share of associates' contingent liability***

There are no shared contingent liabilities associated with any associates of Council.

# Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Western Bay Council would have adopted in dealing with the party at arm's length in the same circumstances.

## Transactions with Councillors and key management personnel

	Actual \$'000 2022	Actual \$'000 2021
<b>Councillors</b>		
Full-time equivalent members	12	12
Salaries and other short term employee benefits	658	593
<b>Senior Management Team, including the Chief Executive</b>		
Full-time equivalent members	5	5
Salaries and other short term employee benefits	1,609	1,387
<b>Total senior management remuneration</b>	<b>2,267</b>	<b>1,980</b>

Key management personnel include the Chief Executive Officer and other senior management personnel.

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

## Elected Member Remuneration

	Actual \$'000 2022	Actual \$'000 2021
Councillors	626	593
Community Board Members	114	112
<b>Total senior management remuneration</b>	<b>740</b>	<b>705</b>

## Events after balance date

There were no events which have caused significant impacts on the essential services of the organisation since balance date.

# Audit report

## Independent Auditor's Report

### To the readers of Western Bay of Plenty District Council's summary of the annual report for the year ended 30 June 2022

The summary of the annual report was derived from the annual report of the Western Bay of Plenty District Council (the District Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following summary statements on pages 14 to 37:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expenditure, statement of changes in net assets/equity and statement of cash flows for the year ended 30 June 2022;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the non-financial summary.

## Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

# Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

## The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2022 in our auditor's report dated 22 December 2022.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the Government's three waters reform programme announcement as set out in the full annual report in Note 1 to the financial statements. The Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The legislation received royal assent from the Governor-General on 14 December 2022. The impact of these reforms will mean that the District Council will no longer deliver three waters services or own the assets required to deliver these services. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities.

## Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

# Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of a limited assurance engagement related to the District Council's debenture trust deed, the audit of the long term plan and an assurance engagement over procurement, which are compatible with those independence requirements. Other than these engagements, we have no relationship with, or interests in the District Council.



Leon Pieterse,  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
2 February 2023





**Western  
Bay of Plenty**  
District Council

---

Te Kaunihera a rohe mai i  
Ngā Kuri-a-Whārei ki  
Otamarakau ki te Uru

[westernbay.govt.nz](http://westernbay.govt.nz)