



Western Bay of Plenty District Council

Summary Annual Report for the year ended 30 June 2012



Matters relating to the electronic presentation of the summary audited financial statements, service performance information and the other requirements

This audit report relates to the summary financial statements, service performance information and the other requirements of Western Bay of Plenty District Council for the year ended 30 June 2012 included on the Western Bay of Plenty District Council's website. The Council is responsible for the maintenance and integrity of the Western Bay of Plenty District Council's website. We have not been engaged to report on the integrity of the Western Bay of Plenty District Council's website. We accept no responsibility for any changes that may have occurred to the summary financial statements, service performance information and the other requirements since they were initially presented on the website.

The audit report refers only to the summary financial statements, service performance information and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the summary financial statements, service performance information and the other requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary financial statements, service performance information and the other requirements as well as the related audit report dated 27 September 2012 to confirm the information included in the audited summary financial statements, service performance information and the other requirements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Disclaimer

The specific disclosures in this financial summary report have been extracted from the full financial report dated 27 September 2012. It has been prepared in accordance with FRS 43: Summary Financial Reports.

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 27 September 2012.

A copy of the Western Bay of Plenty District Council 2011/2012 Annual Report is available from Council's Head Office, Barks Corner, Greerton, Tauranga or Council's website at www.westernbay.govt.nz

Contents

	Page
Chief Executive's report	4
Council at a glance	6
Role of this summary annual report	6
Key performance measure results	7
Financial summary overview	15
Summary extract from the statement of accounting policies for the year ended 30 June 2012	16
Summary financial reports	17
Audit report	27



Mayor and Chief Executive's Report

Western Bay of Plenty District Council 2011/2012 Annual Report Foreword by Chief Executive



Ross Paterson
Mayor



Glenn Snelgrove
Chief Executive Officer

Tough operating environment

Council continued to operate in a very tough fiscal environment during 2011/2012.

Notwithstanding measures to cut capital spending, defer growth related projects and keep rates increases to a minimum, ongoing troubles in the global financial environment continued to undermine economic recovery and prolong nervousness among institutions to lend to business and developers.

Over and above these factors the impact of the vine killing disease Psu-V on our large local kiwifruit sector and related service industries continued to have a negative impact on the Western Bay economy.

Staying 'ahead of the curve'

Despite these influences we are pleased to report Council's balance sheet remains in relatively good shape.

Fundamental to this has been internal financial forecasting being well 'ahead of the curve', holding rates, paying down debt and improving operational efficiency while not compromising on levels of service.

A closer look at our balance sheet

Council's income for the year under review was \$79.7m compared to a budget of \$80.4m and total costs were \$107.5m compared to budgeted costs of \$69.6m.

This budget discrepancy was largely the result of a 25% fall in value (\$90.2m) of Council-owned land and an 14% fall in building values (\$4.6m) due to revaluations. The general trend in the 2011 latest valuations saw the rating burden move from rural to urban ratepayers. This was a reversal on six years ago, but not unusual when you take into account three - yearly valuation cycles over a long period.

As Council has insufficient reserves from previous revaluations to cover this reduction in value, \$37.0m was treated as a non-cash movement operating expense for accounting purposes.

Interest rate swaps, used to manage Council's exposure to fluctuations in interest rates, continued to increase by \$5.6m in their carrying liability due to the continued unsettled markets.

On the positive side of the ledger Council saved \$150,000 in annual interest costs due to becoming a shareholder of the New Zealand Local Government Funding Agency (LGFA), set up to lend money to local authorities at a lower rate than could be accessed from mainstream lending institutions.

During the year Council received \$4.9m in financial contributions, \$1.8m higher than forecast. This increase was due to improved activity in subdivisions and deferred payment options being made available to developers who meet Council's criteria. Council also completed \$39.9m of capital works during the year, the most significant being the \$14.5m Maketu Little Waihi Community Wastewater Scheme which was completed on time and within budget through a Government subsidy of \$11.6m.

Reducing debt

Council's net debt position is \$144.3m. This is \$5.6m lower than forecast due to strong budgetary controls and a focus on cost reductions.

In Council's newly adopted Long Term Plan (2012-2022), peak forecast debt has reduced from \$196.1m in 2016 to \$160.5m in 2018. By 2022 net debt is expected to be down to \$80.4m.

Keeping rates under control

Council's District Rate increase for 2012/2013 is 4.7% of which 3.8% is the result of inflation, leaving a 0.9% increase in real rates for the average ratepayer.

In reaching this minimal increase in real rates Council has deferred major capital works, the biggest of which is the proposed \$330,000 McLaren Falls footbridge. This has been deferred until 2016 with a review of this decision in next year's financial deliberations.

Council's expenditure for 2013 has been reduced by removing \$150,000 from the seal extension budget,

\$150,000 from the seal widening budget and a \$250,000 reduction in staff salaries. Expansion of some community facilities has also been deferred.

Looking ahead

Council projects real increases in existing ratepayers' rates will be at 2.1% above inflation in 2014 and 1.8% above inflation in 2015.

All local authorities in New Zealand face testing times and at the time of writing Central Government was about to embark on an eight-point journey of local body reform, the first stage of which will be implemented over the next 15 months to be in place by the October 2013 Local Body elections.

We are confident that this Council is in good stead to face whatever changes may eventuate from the reform process, provided we hold firm to fiscal discipline and have the support of united political governance.

In closing we would like to thank elected members and Council staff for their cooperation and willingness to work as a team for the benefit of residents across the Western Bay of Plenty District.



Handwritten signature of Ross Paterson in black ink.

Ross Paterson
Mayor
Western Bay of Plenty District

Handwritten signature of Glenn Snelgrove in blue ink.

Glenn Snelgrove
Chief Executive
Western Bay of Plenty District Council

Council at a glance

The Western Bay of Plenty District Council is the local authority for an area of 212,000 hectares from Waihi Beach, through Katikati, Kaimai and Te Puke to Maketu.

The District's population of 42,075 people (Statistics NZ, 2006 Census) currently has 20,054 ratepayers. The annual rates revenue is \$47.96 million.

The significant capital expenditure in recent years to upgrade infrastructure has increased Council's external debt to \$155 million.

Role of this Summary Annual Report

Purpose

This Summary Annual Report is provided to compare the Council's actual performance for the year against what was forecast in the LTP 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) identifies Council's plans for the Western Bay over a 10 year period. It is reviewed every three years.
- **Annual Plan** (Section 95) 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) provides details of Council's actual performance for all activities against the plans for a specific year of the LTP or Annual Plan.

Bringing the planning process together

Community Outcomes

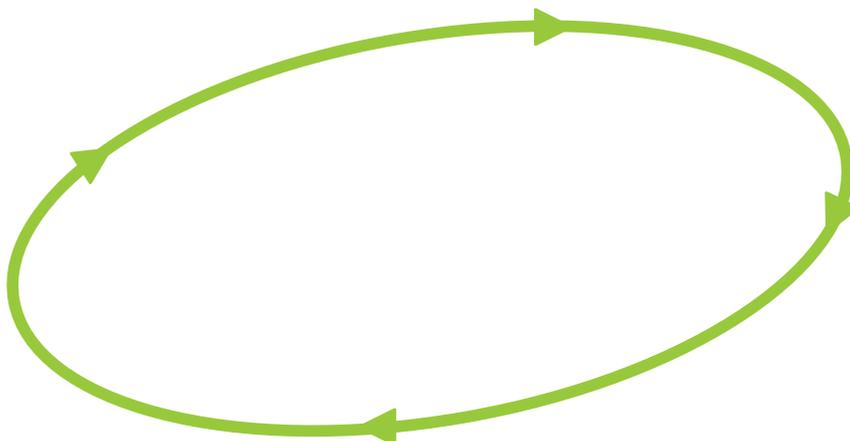
How the Community wants the District to be

Long Term Plan

How Council will go about achieving the Community Outcomes

Annual Report
What was achieved

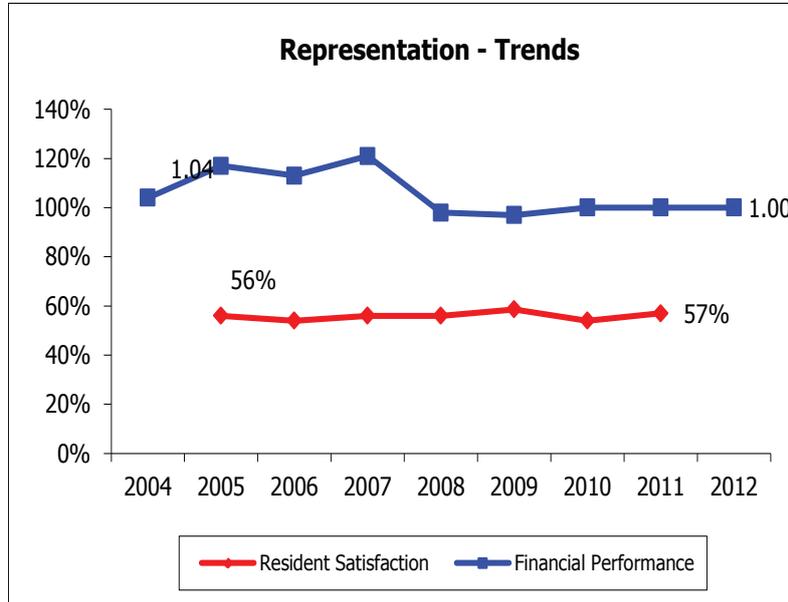
Annual Plan
Annual Budget



Key performance measure results

Leadership

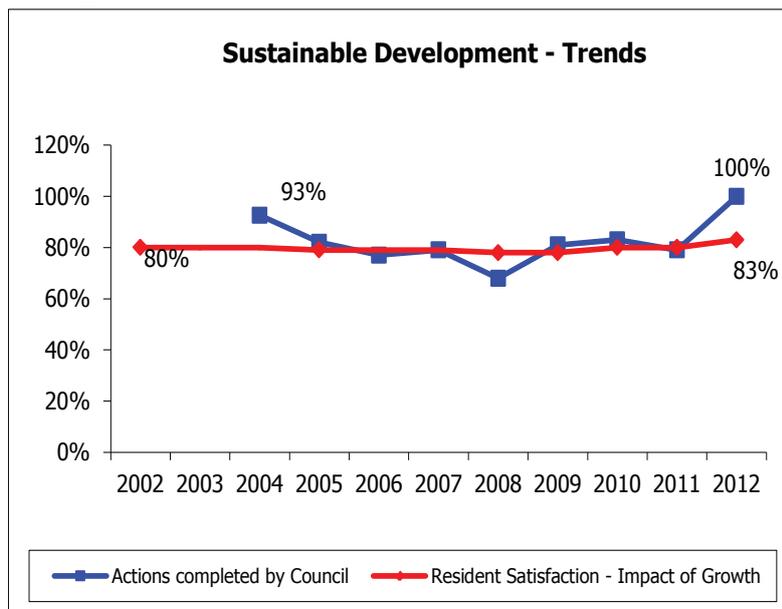
Representation



The financial performance index has achieved the target of 1.00 in recent years. The peak in 2007 was a result of 'other income' received that was more than budget. This included a subsidy for Omokoroa wastewater and vested assets.

The level of resident satisfaction with representation has remained consistent over the past seven years. 2009 was the highest level of satisfaction when 58.6% was achieved.

Sustainable development

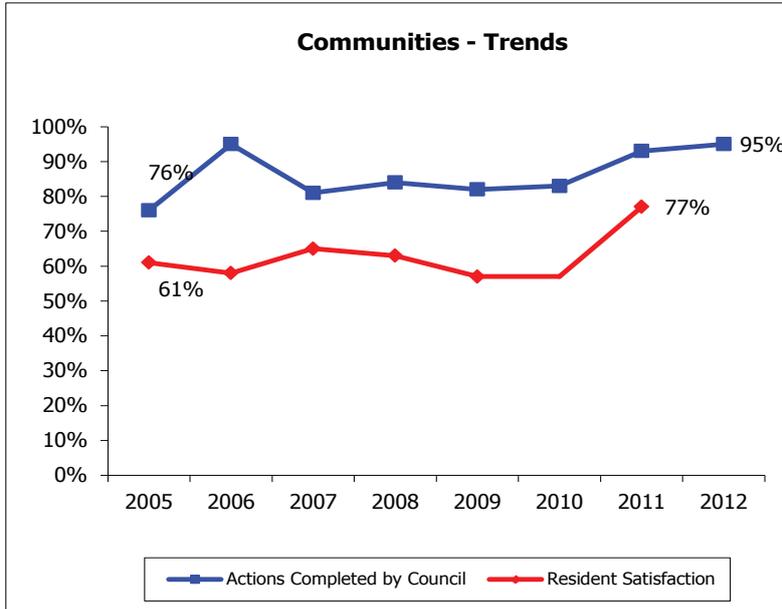


The actions completed by Council are showing a declining trend since the peak of 93% in 2004. The actions identified in this activity often require community consultation, working with external organisations and changes in legislation which can delay progress and can result in timeframes not being achieved.

Resident satisfaction monitors those residents who perceive growth to have had a positive impact. Over the eight years this has been monitored the District has experienced significant growth, however, the level of resident satisfaction has remained constant.

Building Communities

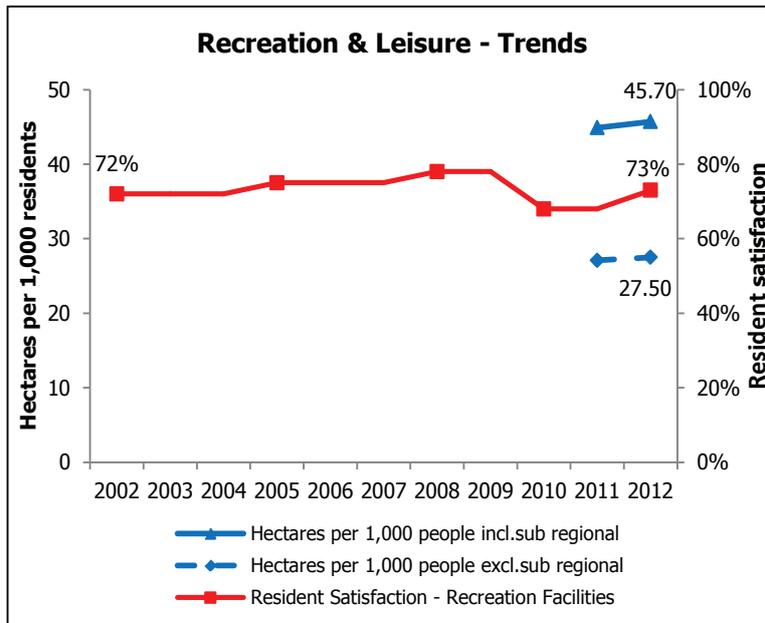
Communities



The actions completed by Council are showing a positive trend. When monitoring commenced in 2005, 76% of the actions were achieved, compared to 93% in 2011. Actions monitored include payment of Community Development Contracts, provision of Library services and Emergency Management.

Resident satisfaction has been consistent for the years 2005 – 2010, with a considerable improvement in 2011. Traditionally this activity does not have a high profile in the District, however in recent years considerable work has been undertaken with community groups and this has resulted in the increased satisfaction achieved in 2011.

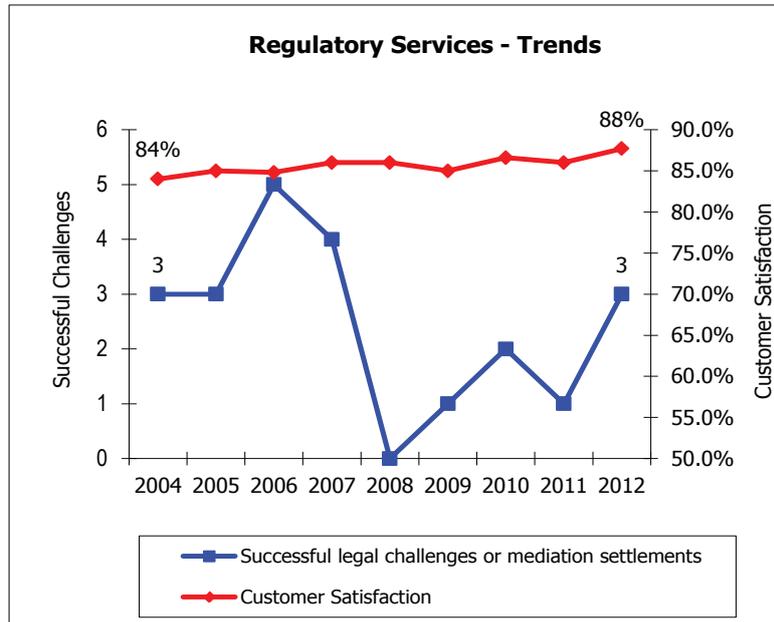
Recreation and Leisure



The measures monitoring the amount of park land per 1,000 residents are new and were developed as part of the 2010 Recreation & Leisure Strategy review. This result reflects the annual 'Yardstick' survey which monitors parks and recreation facilities for 40 councils in New Zealand. Over time Council intends to benchmark the level of service provided with other participating councils.

Resident satisfaction with recreation and reserves is monitored on a two yearly basis. In 2008 the level of satisfaction was 78% and in 2010 it was 68%. Key reasons for dissatisfaction in 2010 are that there are not enough facilities or they are not suitable.

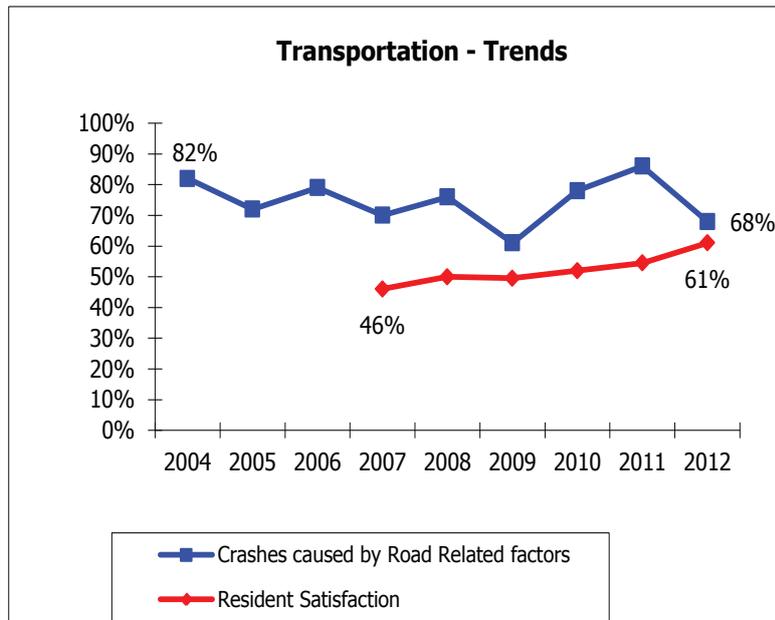
Regulatory Services



The successful legal challenges are associated with building and resource consent activity and include weathertightness claims. Since 2009 there have been four successful claims of which three were due to weathertightness. The highest number of successful claims was in 2006; there were 5 successful claims of which four were due to weathertightness issues.

Resident satisfaction with the provision of regulatory services shows a consistent trend since 2004. The highest level of satisfaction was 87% in 2010.

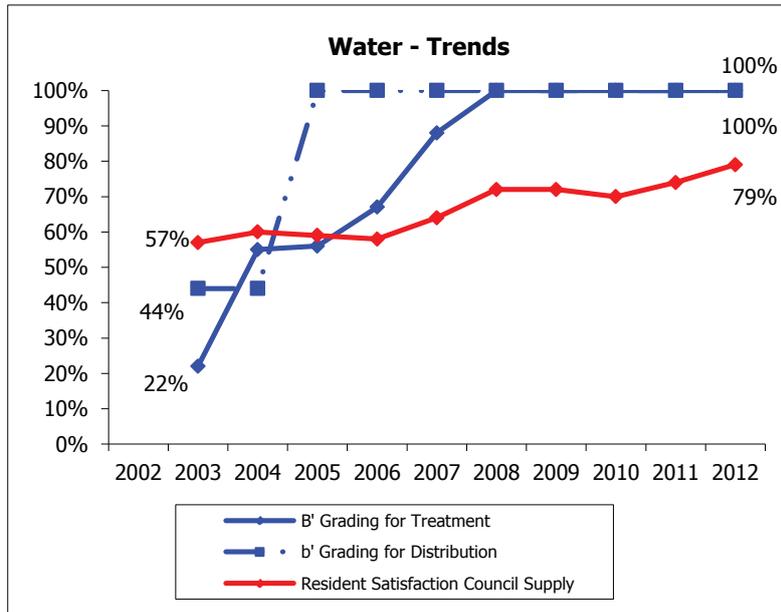
Transportation



Accidents caused by road-related factors are monitored externally by the New Zealand Transport Agency (NZTA) which has grouped similarly-sized councils into peer groups. The annual target for this measure is $\leq 90\%$ and indicates Council is seeking a higher standard than its peer group. The trend since 2006 is showing that Western Bay Council has consistently achieved the target of $\leq 90\%$.

The level of resident satisfaction with transportation (roading, cycling and walkways) in the District is showing a positive trend. This is attributed to the seal extension programme and Council's decision to increase the length of footpaths around the District.

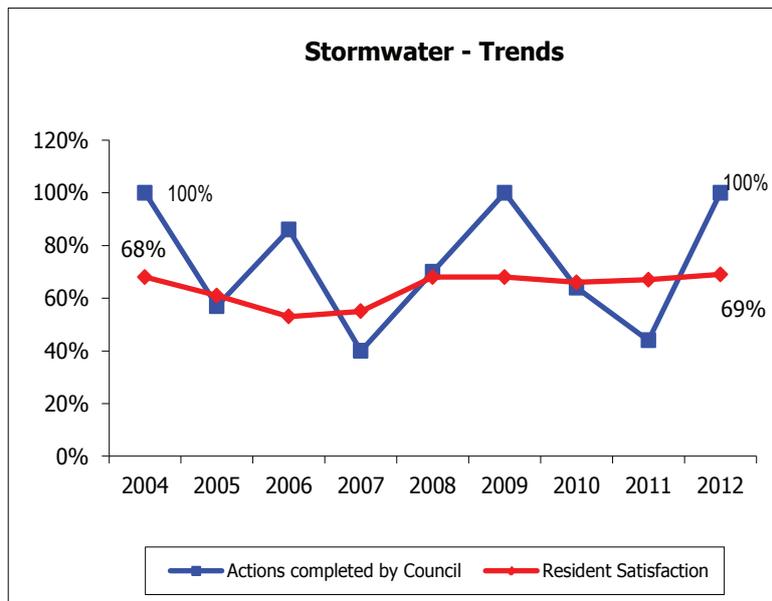
Water Supply



Council's water supplies are independently monitored by the Ministry of Health which awards a grade based on treatment and reticulation. Council undertook considerable exploration to find suitable water supplies and as a result of this Council achieved a 'Bb' grading for all water supplies in 2008.

The level of resident satisfaction with water supply is showing a positive trend with a result of 74% in 2011.

Stormwater

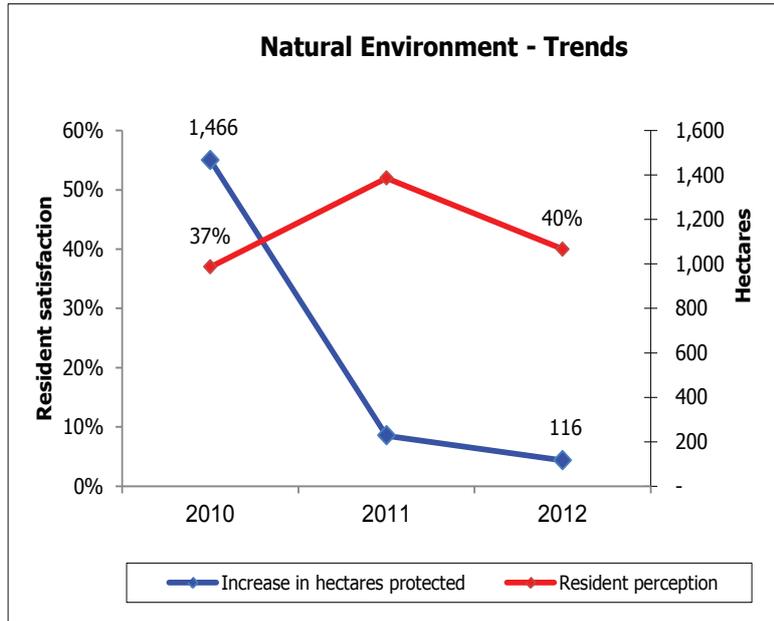


The actions completed by Council are impacted by timing, weather issues and consultation with key groups. As a result the actions identified in the annual work programme are not always completed by the end of the financial year (30 June). This is reflected in the graph, which shows the variances over the past eight years.

Resident satisfaction with stormwater systems is showing a positive trend. The 2011 result of 67% is the highest over the 10 years this has been monitored. The low results in 2006 were a reflection of the significant storm and flooding that occurred in 2005.

Protecting the Environment

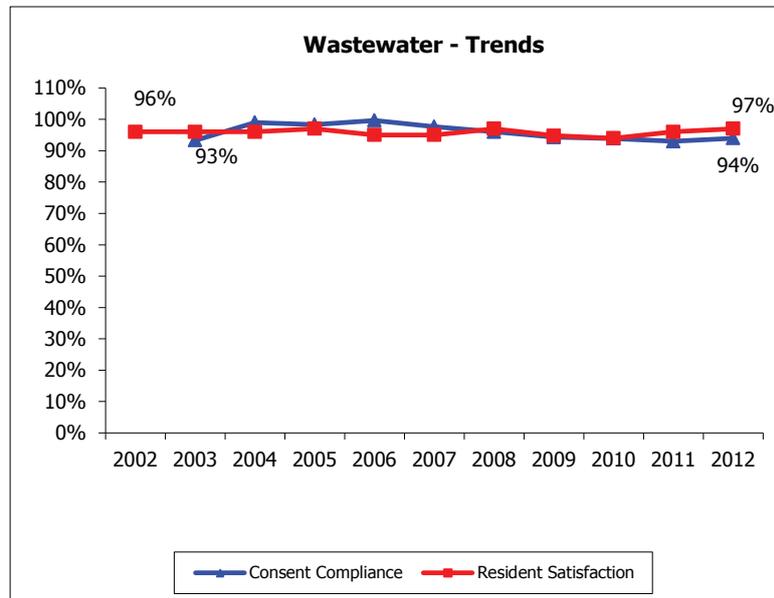
Natural Environment



The increase in land which is physically and legally protected is showing variable results since monitoring commenced in 2007. The significant reduction in 2009 was a result of the Regional Council changing the methodology for recording protected land. Apart from this there has been an annual increase in the land protected.

Resident satisfaction is showing a positive trend with a result of 52% satisfaction in 2011. This is a significant increase from initial resident satisfaction of 30% in 2007.

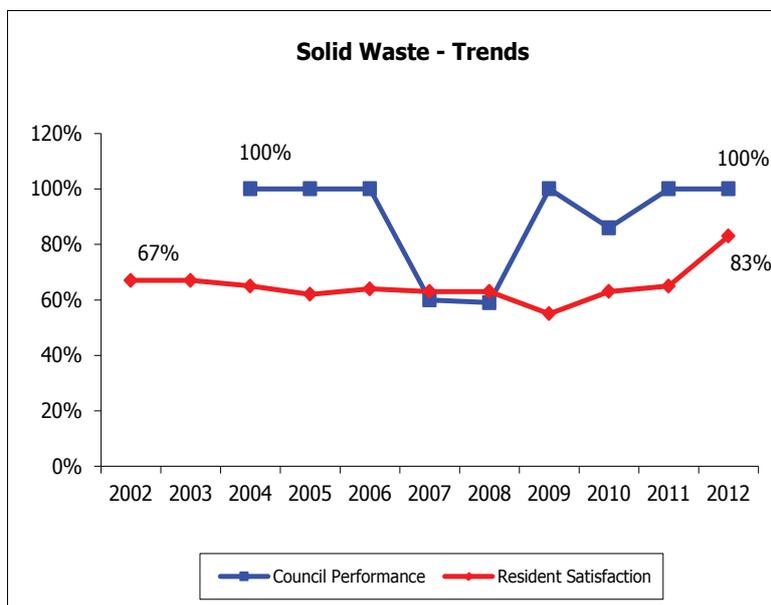
Wastewater



The overall level of resource consent compliance for the wastewater schemes (Te Puke, Katikati & Omokoroa) has remained consistent at 93%. While targets were achieved in 2004-2006, in recent years there have been some incidents of mechanical failure as well as weather-related incidents, i.e. high rainfall and infiltration.

The level of satisfaction with Council's wastewater systems has been consistently high at 96%.

Solid Waste

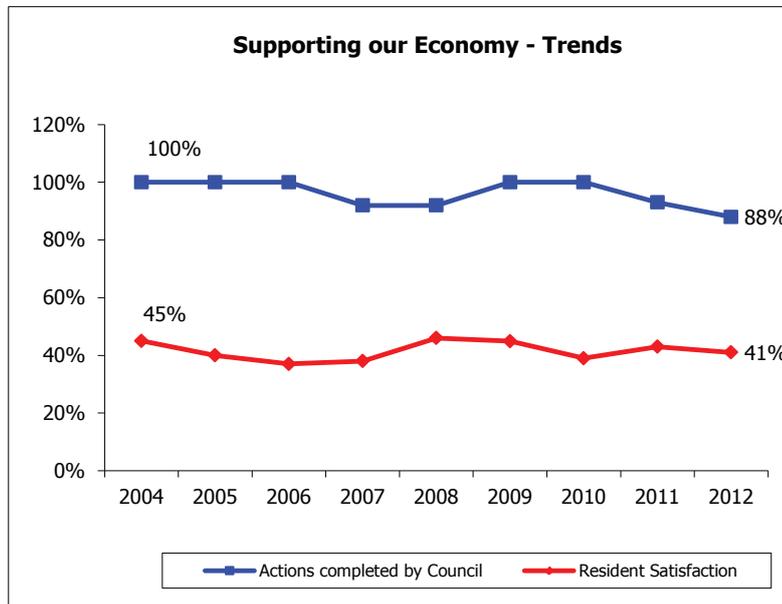


The actions completed by Council are showing variable results over the past eight years. The low results in 2007 and 2008 were a result of projects being deferred until the review of the Waste Management Plan and Solid Waste Strategy. Since then there has been a significant improvement with the 2011 result of 100%.

The level of resident satisfaction has remained consistent since monitoring began in 2002. A key reason for dissatisfaction is the need for more recycling facilities, which influenced the decision to open the Eastern Recycling facility in 2010.

Supporting our Economy

Economic



The actions completed by Council have remained consistently high since 2004. The target for this measure is 90% which has been achieved every year.

Resident satisfaction with Council's role in economic initiatives has been consistent over the past eight years. The target for this measure is 55% and this has not been achieved to date.

Council has limited resources in terms of the economic development activity and will continue to work with sub-regional agencies (Priority One, Tourism Bay of Plenty) and complete the various Town Centre Development Plans.

Council Services

Council's general management function co-ordinates activities described in previous chapters as well as the treasury function, management of Council's corporate property portfolio and internal services which keep the organisation operating on a daily basis.

Council's Corporate Plan guides initiatives intended to improve performance in the following areas:

- Internal debt/treasury management
- Customer care
- Community care
- Asset management – including corporate property
- Key business processes
- Working effectively with others
- Risk management
- Staff knowledge and skills
- Institutional knowledge

2011/12 Highlights

Council continued to work with the Bay of Plenty Local Authority Shared Services (BOPLASS) initiative to progress opportunities for shared services. Council is currently participating in a BOPLASS work group for Geographical Information Services (GIS). There are nine councils participating in the initiative and ultimately this would enable a shared GIS platform for the region and possible associated services. This initiative has continued on from the 2010/11 year.

Council became a shareholder of the New Zealand Local Government Funding Agency Limited in December 2011. This entity was created to provide more cost effective financing specifically to local authorities and has saved Western Bay \$150,000 in interest costs during the year.

Future initiatives

The Government recently announced its eight point reform programme to improve the legislative framework for New Zealand Council - Better Local Government. Council will respond to these legislative changes and the political direction when identified.

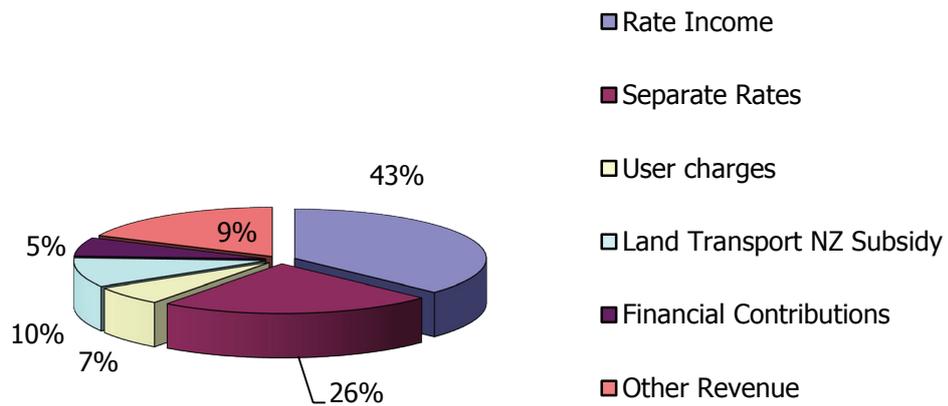


Financial summary overview

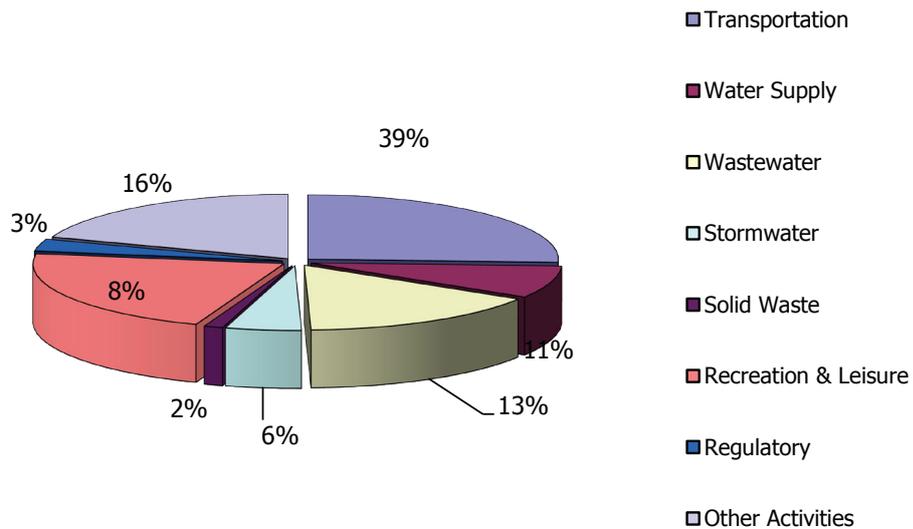
Council has reported a net deficit of \$27.84 million compared with a budgeted operating surplus of \$10.85 million. The major contributor to this reduced surplus was a \$37.0 million downward revaluation adjustment for Council owned land and buildings.

The following charts exclude the effect of asset ownership changes including Vested Assets (2011/2012) in Council's finances.

**Council Revenue 2011/12
(excluding vested assets)**



**Council Capital and Operating Expenditure 2011/12
(excluding vested assets)**



Summary extract from the statement of accounting policies for the year ended 30 June 2012

Reporting entity

Western Bay of Plenty District Council (Western Bay) is a territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The primary objective of Western Bay is to provide goods or services for the community or social benefit rather than making a financial return.

Accordingly, Western Bay has designated itself a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements of Western Bay are for the year ended 30 June 2012. The financial statements were authorised for issue by Council on 27 September 2012.

Basis of preparation

Statement of compliance

The financial statements of Western Bay have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

The financial statements comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Western Bay is New Zealand dollars.

Changes in accounting policies

The accounting policies have been applied consistently to all periods presented in these financial statements. These summary financial statements have been prepared in accordance with Financial Reporting Standard 43: Summary Financial Reports.

Associate organisations

Western Bay has a 50% shareholding in Western Bay Moana Rural Fire Authority and a 1/9th share in Bay of Plenty Local Authority Shared Services Limited (BOPLASS). The Council also has a 50% shareholding in Western Bay of Plenty Tourism and Visitors Trust. The investment in these associates is initially recognised at cost and the carrying amount is increased or decreased to recognise Western Bay's share of the surplus or deficit of the associate after the date of acquisition.

Events after the balance sheet date

There were no significant events after balance date.



Summary financial reports

Statement of comprehensive income for year ended 30 June 2012

	Actual \$'000 2012	Budget \$'000 2012	Actual \$'000 2011
Analysis of expenditure - by activity			
Revenue from activities	23,009	25,729	17,985
Rate income	29,519	29,105	28,304
Separate rates	18,439	18,296	17,179
Vested assets	184	2,040	5,211
Financial contributions	4,876	3,038	2,990
Finance income	581	721	1,015
Other revenue	2,429	1,514	1,664
Gains	667	-	2,170
Total operating revenue	79,703	80,443	76,518
Expenditure			
Other expenses	61,750	31,195	30,998
Personnel costs	11,910	12,217	12,225
Depreciation	16,019	15,845	15,835
Amortisation	518	164	497
Impairment expense	2,145	-	-
Finance costs	15,190	10,171	10,341
Total operating expenditure	107,532	69,592	69,896
Share of associates retained surplus	(15)	-	96
Net Surplus / (Deficit)	(27,843)	10,851	6,718
Other comprehensive income			
Gains/(Losses) on asset revaluations	(44,249)	24,761	28,838
Other assets at fair value through other comprehensive income	7	-	(35)
Total other comprehensive income for the year	(46,207)	24,761	28,804
Total comprehensive income for the year	(72,085)	35,612	35,522

Statement of comprehensive income for year ended 30 June 2012

Major variances

Council recorded a net deficit of \$27.84 million (m) as compared with a budgeted surplus of \$10.85m, a decrease of \$38.69m. The major contributors to this variance were:

- Revenue from activities of \$23.009m is \$2.72m below budget as a result of \$4.20m of the budgeted \$11.84m Maketu wastewater scheme subsidy being received in the 2010/11 year. This was offset by additional grant revenue of \$0.36m to assist with Te Puke Town Centre Development projects. Additional NZTA subsidies of \$1.30m as a result of storm events and the timing of capital projects eligible for funding.
- Financial contributions of \$4.876m were \$1.831m higher than the budget of \$3.038m due to greater subdivision activity than forecast, mainly in the rural areas.
- Vested assets income of \$0.184m was \$1.856m below the budget of \$2.170m, this was due to less land and infrastructure being vested to council from developers. This income is non-cash.
- Gains income of \$0.667m relates to the increase in the value of forestry assets owned by Council at the TECT all terrain park and Waihi Beach. This income is non-cash.
- Other revenue of \$2.429m was \$0.915m higher than the budget of \$1.514m. This was due to gains on the sale of assets, in particular a portion of Jubilee Park in Te Puke which was sold to provide land for a new supermarket.
- Other expenses of \$61.750m were \$30.555m ahead of the budget of \$31.195m. This was due to a revaluation adjustment of \$36.989m for Council owned land and buildings which were revalued in 2012 as part of a three yearly cycle. The total reduction in asset values were \$81.083m, of which \$47.264m was absorbed by asset revaluation reserves built up from the increase in asset values in previous years. This is a non-cash expense. This was partially offset by the pavement maintenance portion of the PBC contract being under budget by \$4.980m.
- Personnel costs of \$11.910m were \$0.307 million below the budget of \$12.217m. This is due to lower staff numbers during the financial year.
- Depreciation and amortisation expenses of \$16.537m were \$0.528m ahead of the budget of \$16.009m. This is due to the timing of assets being capitalised and the upwards revaluations of roading and coastal marine assets.

- Finance costs of \$15.190m were \$5.019m higher than the budget of \$10.171m due to the \$5.608m downwards revaluation of Council's interest rate swaps. This is a non-cash adjustment required for accounting purposes. This was partially offset by actual interest expense being 0.589m below budget. This interest saving was due in part to lower interest rates and Council becoming a shareholder of the New Zealand Local Government Funding Agency Limited (LGFA).
- Impairment change of \$2.145m on Council's Te Tumu Investment as a result of falling land values driving the fair value of the investment down.



Statement of changes in equity year ended 30 June 2012

	Retained Earnings	Asset Revaluation Reserve	Council Reserves	Total Equity
Balance at 1 July 2010	701,702	241,646	13,792	957,140
Total comprehensive income for the year	9,332	28,838	(2,648)	35,522
Balance at 30 June 2011	711,034	270,484	11,144	992,662
Total comprehensive income for the year	(28,605)	(45,426)	1,946	(72,085)
Balance at 30 June 2012	682,429	225,058	13,090	920,577

Statement of financial position at 30 June 2012

	Actual \$'000 2012	Budget \$'000 2012	Actual \$'000 2011
Total Equity	920,577	1,056,820	992,662
Assets			
Total current assets	24,284	10,271	27,322
Total non-current assets	1,078,682	1,217,455	1,140,095
Total Assets	1,102,966	1,227,726	1,167,417
Liabilities			
Total current liabilities	32,440	45,986	63,506
Total non-current liabilities	149,949	124,920	111,249
Total Liabilities	182,389	170,906	174,755
Net Assets	920,577	1,056,820	992,662

Major variances

The major variances to budget were:

- Property plant and equipment decreased by \$62.5m as a result of the revaluation of land and buildings.
- There was an unrealised interest rate swap liability of \$12.2m compared to a \$6.6m liability in 2011, this had not been budgeted for.

Statement of cash flows for the year ended 30 June 2012

	Actual \$'000 2012	Budget \$'000 2012	Actual \$'000 2011
Cash flows from operating activities			
Receipts from rates revenue	48,258	47,269	46,738
Other income	30,659	30,542	18,786
Regional Council rates	3,989	2,671	3,766
Total operating cash provided	82,906	80,482	69,290
Total operating cash applied	(55,406)	(56,682)	(53,376)
Net cash from operating activities	27,500	23,800	15,914
Cash flows from investing activities			
Total investing cash provided	3,192	85	166
Total investing cash applied	(33,712)	(35,035)	(29,554)
Net cash from investing activities	(36,904)	(34,950)	(29,388)
Cash flows from financing activities			
Proceeds from borrowings	65,000	30,000	41,928
Repayment of borrowings	(60,000)	(30,000)	(14,004)
Net cashflows from financing activities	5,000	-	27,924
Net (decrease)/increase in cash held	(4,404)	(11,151)	14,449
Cash, cash equivalents and bank overdrafts at the beginning of the year	15,637	12,752	1,188
Cash, cash equivalents and bank overdrafts at the end of the year	11,234	1,601	15,637

Major variances

Cash balances refer to cash on hand, account balances, demand deposits and other liquid investments in which Council invests as part of its cash management.

The major variances to budget were:

- Net cash inflows from operating activities were higher than budget by \$3.700m. The favourable variance to budget can be attributed to the \$4.980m underspend on pavement maintenance under the PBC roading contract. This was offset by higher capital expenditure under the contract and a continued focus on reducing operating costs. This was offset by lower subsidy income for the Maketu/Little Waihi wastewater scheme as a portion of it was received in the 2010/11 financial year.
- Higher actual cash expenditure for capital purchases/construction was the reason for higher

net cost compared to budget, the majority of this related the building of the Maketu/Little Waihi wastewater scheme which commenced in the 2010/11 year, with the cash flows being paid in the 2011/12 financial year. In addition to this Council became a shareholder of the LGFA with an investment of \$2.000m.

- Cash flows to financing were higher than budget by \$5.000m due to the timing of debt maturing and debt refinancing.

Reconciliation of net surplus / (deficit) to net cash inflow from operating activities

	Actual \$'000 2012	Actual \$'000 2011
Net surplus / (deficit)	(27,843)	6,718
Add/(less) non-cash items		
Depreciation and amortisation	16,537	16,332
Vested assets	(184)	(5,211)
Gain on sale of assets	(940)	-
Gain on valuation of assets	(667)	(2,170)
Investment in associates movement	15	(96)
Loss on sale of assets	569	704
Loss on valuation of assets	36,989	-
Landfill aftercare provision movement	(8)	(7)
Weathertight homes provision movement	245	-
Performance based contract (PBC) liability movement	(1,268)	(1,190)
Unrealised interest	(304)	(547)
Employee expenses	133	182
Unrealised hedging movement	5,571	1,788
Impairment of financial instrument	2,145	-
Add/(less) movements in working capital items:		
Accounts receivable	1,278	(3,332)
Accounts payable	(4,761)	2,743
Add/(less) items classified as investing activities		
Revaluation of shares	(7)	-
Net cash inflow (outflow) from operating activities	27,500	15,914

Summary of cost of services - Council

Total operating revenue

	Actual \$'000 2012	Budget \$'000 2012	Actual \$'000 2011
Significant activities			
Representation	2,265	2,269	2,500
Sustainable Development	2,241	2,297	2,504
Communities	4,407	4,488	4,179
Recreation & Leisure	6,601	5,146	8,111
Regulatory Services	3,520	4,324	3,683
Transportation	26,528	24,574	29,120
Water Supply	8,227	7,970	6,754
Stormwater	2,650	2,781	2,309
Natural Environment	267	328	239
Wastewater	14,930	19,335	10,731
Solid Waste	1,270	1,379	1,211
Economic	1,756	1,335	1,245
Council Services	5,041	4,217	3,932
Total operating revenue from activities	79,703	80,443	76,518

Total operating expenditure

	Actual \$'000 2012	Budget \$'000 2012	Actual \$'000 2011
Significant activities			
Representation	1,978	2,113	2,310
Sustainable Development	2,082	2,246	2,218
Communities	5,098	4,455	4,111
Recreation & Leisure	30,728	4,130	5,942
Regulatory Services	4,355	4,303	4,956
Transportation	17,330	21,317	19,916
Water Supply	9,924	9,878	9,245
Stormwater	5,757	4,284	3,467
Natural Environment	277	376	266
Wastewater	11,276	11,049	10,916
Solid Waste	1,497	1,427	1,273
Economic	1,124	1,037	1,125
Council Services	16,106	2,977	4,151
Total operating expenditure from activities	107,532	69,592	69,896

Statement of commitments at 30 June 2012

	Actual \$'000 2012	Actual \$'000 2011
Capital commitments approved and contracted	2,418	12,153
Non-cancellable operating lease commitments		
Plant and equipment		
Not later than one year	84	86
Later than one year and not later than two years	84	86
Later than two years and not later than five years	77	165
Total operating lease commitments	246	337

Other commitments

In addition to the above commitments Council has entered into contracts for the provision of capital and maintenance work to the District's roading network and provision of professional management services to the utilities network.

In October 2002, Council entered into a ten year performance based contract with Opus International Consultants Limited to provide capital and maintenance work to the District's roading network. The value of the contract is \$125 million and as of 30 June 2012 \$5.7 million (2011: \$18.2 million) remained committed on this contract for the remaining three months, this includes the estimated escalations in the contract. As part of the contract there is ongoing performance and condition monitoring to ensure compliance with the key performance indicators of the contract. Failure by the contractor to meet these key performance indicators can lead to termination of the contract. The contract provided in the first five years for substantial capital works to be undertaken.



Contingencies

	\$'000 2012	\$'000 2011
Building Act claims	50	50
Weathertight Homes Resolution Service (WHRS)	600	500
Katikati Heritage Museum Charitable Trust	550	-
Total contingent liabilities	1,200	550

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, six matters under that Act indicating potential liabilities of \$300,000 (2011: \$50,000) had been brought to the Western Bay's attention. The \$50,000 disclosed relates to the expected cost to Western Bay. The balance is expected to be covered through insurance.

Unquantified claims

There were two additional claims lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2012 (2011: ten additional claims). These claims relate to weathertightness issues of homes in the Western Bay of Plenty District area and name Western Bay of Plenty District Council as well as other parties. None of these claims have been closed. There are a total of thirteen claims that are still open as at balance date (2011: eleven).

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 \$600,000 has been recognised as a contingent liability.

Katikati Heritage Museum Charitable Trust

Western Bay has entered a guarantee arrangement with the Katikati Heritage Museum Charitable Trust (The Trust) and the BNZ bank. The purpose of the guarantee was to ensure that The Trust was able to secure funding to purchase the assets of the Katikati Museum. Western Bay is satisfied that there is adequate security in the underlying assets to ensure there is no call on the guarantee, therefore no liability has been recognised.

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 to New Zealand Government sovereign rating.

As at 30 June 2012 there were 19 shareholders made up of 18 local authorities and the Crown. All 18 local authority shareholders have uncalled capital equal to their individual shareholding and totalling \$20 million 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 \$835 million (2011: \$Nil) at 30 June.

New Zealand Financial reporting standards require Western Bay of Plenty District 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 events 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.

Related Party Transactions

Financial transactions have taken place during the financial years with the following related parties:

Related party transactions with associates

	Actual \$'000 2012	Actual \$'000 2011
Western Bay Moana Rural Fire Authority		
Services provided by Western Bay	104,650	93,840
Western Bay of Plenty Tourism and Visitors' Trust		
Services provided to Western Bay	-	163,080
Bay of Plenty Local Authority Shared Services Limited		
Services provided to Western Bay	135,379	172,883
New Zealand local Government Funding Agency		
Funding provided to Western Bay	45,000,000	-

Council has a 50% interest in Western Bay Moana Rural Fire Authority which is an incorporated society established to co-ordinate delivery of rural fire support within the District. In the year ending 30 June 2012 the Council's significant policies and objectives in regard to ownership and control of the organisation as set out in the constitution have been attained. This is in respect of the resources, activities and entities under its control that it has:

- operated effectively and efficiently;
- complied with laws, regulations and contractual requirements; and,
- business has been conducted with regard to probity.

Councillor Gwenda Merriman is on the Board of Western Bay Moana Rural Fire Authority.

Council has a 50% interest in Western Bay of Plenty Tourism and Visitors' Trust. This is a not-for-profit entity established to promote the economic welfare and development of the Western Bay of Plenty region and its citizens through marketing, management and any other activity which impacts on the region as a visitor and tourist destination.

Council has a 1/9th share in Bay of Plenty Local Authority Shared Services Limited (BOPLASS Limited). BOPLASS Limited has been established to foster collaboration between councils in the delivery of services particularly back office or support services. Western Bay of Plenty District Council's Chief Executive, Glenn Snelgrove, is a director of BOPLASS Limited.

Transactions with key management personnel

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Western Bay (such as payment of rates, purchase of rubbish bags, etc).

During the year Western Bay has contracted services with Te Puke Engineering Limited, of which Councillor Paul Thomas is a director. The value of the contract works totalled \$3,992 (2011: \$nil, negotiated on normal commercial terms). There was no balance outstanding at year-end (2011: \$nil).

During the year council provided funding of \$183,603 to Priority One (2011: \$183,862), Western Bay of Plenty District Council's Chief Executive, Glenn Snelgrove, is on the executive board director of Priority. Priority One is the economic development organisation covering Tauranga and the Western Bay of Plenty. The organisation was established by the business community and is half funded by business membership, Western Bay of Plenty District Council and Tauranga City Council. It is also contracted to deliver economic outcomes by Tauranga City and Western Bay of Plenty District councils.

Western Bay has previously contracted services from John Doggett, a repairs and maintenance firm, of which Community Board Chair John Doggett is a partner. These services cost \$Nil (2011: \$492) and were supplied on normal commercial terms. There was no balance outstanding for unpaid invoices at year-end (2011: \$nil).

During the year Western Bay has contracted services with Bernard Dobbie Art and Illustrations, these services cost \$8,425 (2011: \$Nil). Bernard Dobbie is the brother of Western Bay's Group Manager Corporate and Planning Services.

Western Bay has previously contracted services with Mondo Cherrywood, of which Cherie Snelgrove (wife of Western Bay's Chief Executive Officer) is a shareholder. The value of the contract works totalled \$Nil (2011: \$4,302) and was negotiated on normal commercial terms. There was no balance outstanding at year-end (2011: \$Nil).

Western Bay's Group Manager Customer Services' wife is employed at Western Bay in the role of Executive Assistant Communications.

Apart from these transactions no other Councillors or senior management personnel have entered into related party transactions with the Council.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2011: \$nil).

	Actual \$'000	Actual \$'000
	2012	2011
Salaries and other short term employee benefits	882	876
Termination benefits	-	-
Total key management personnel compensation	882	876

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

Elected member remuneration

	Actual \$'000	Actual \$'000
	2012	2011
Councillors	408	397
Community board members	91	85
Total elected member remuneration	499	482



Audit Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

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 2012**

We have audited the summary of the annual report (the summary) as set out on pages 7 to 26, which was derived from the audited statements in the annual report of the Western Bay of Plenty District Council (the Council) for the year ended 30 June 2012 on which we expressed an unmodified audit opinion in our report dated 27 September 2012.

The summary comprises:

- the summary statement of financial position as at 30 June 2012 and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of the Council's service performance information and summaries of other information contained in its annual report.

Opinion

In our opinion, the information reported in the summary complies with FRS-43: Summary Financial Statements and represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

The summary and the audited statements from which they were derived do not reflect the effects of events that occurred subsequent to our report dated 27 September 2012 on the audited statements.

The summary does not contain all the disclosures required for audited statements under generally accepted accounting practice in New Zealand. Reading the summary, therefore, is not a substitute for reading the audited statements in the annual report of the Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary in accordance with FRS-43: Summary Financial Statements. We are responsible for expressing an opinion on the summary based on the procedures required by the Auditor-General's auditing standards and the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

Other than the audit and carrying out the audit of long term plan, we have no relationship with or interests in the Council.



David Walker
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
27 September 2012