



ANNUAL REPORT 2012/2013

SUMMARY



Disclaimer

The specific disclosures in this financial summary report have been extracted from the full financial report dated 19 September 2013. 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 19 September 2013.

A copy of the Western Bay of Plenty District Council 2012/2013 Annual Report is available from Council's Head Office, Barkes 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 2013	16
Summary financial reports	17
Audit report	28



Chief Executive's Report

Western Bay of Plenty District Council 2012/2013 Annual Report Chief Executive's Report



Glenn Snelgrove
Chief Executive Officer

Council remains mindful of increasing concerns from ratepayers at the affordability of rates.

It is against this background that the 2012/13 year has been underpinned by an operating approach that strives for a balance between minimising capital and operational expenditure while maintaining core infrastructure and existing levels of service.

Council's total capital expenditure for the financial year was \$15.13m – \$5.17m lower than the \$20.30m forecast.

Internal expenditure remained well contained, growth-related capital expenditure was performed as required and deferred where practical.

Investment in water, wastewater and stormwater infrastructure over the past decade has incurred the majority of Council's current \$110 million of growth related debt.

Council has increased its external debt position as a result of borrowing \$25 million in the April 2013 New Zealand Local Government Funding Agency (LGFA) tender in order to comply with key treasury ratios. This has increased Council's total external debt to \$174.5 million at 30 June 2013 – an increase of \$19 million above the balance at 30 June 2012. The additional debt raised was placed on interest bearing deposits and has resulted in a net debt position of \$140.02m, this is \$4.25m lower than the net debt position at 30 June 2012.

An interesting development this year was the Local Government Commission's decision to endorse Council's recommendation to change the electoral representation for the Western Bay District from a five-ward to a three-ward model with a reduction in elected councillors from 12 to 11, plus the Mayor.

The reason behind the decision was to give clearer delineation of roles and responsibilities between councillors and community boards and to support the duty of councillors to represent the District's interests at large. In short, the change results in fairer political representation across all communities of electors.

This representation model will take effect after the Local Body Elections in 12 October 2013.

The year saw positive progress for communities, local iwi and individuals impacted financially by the grounding of the Rena container vessel on the Astrolabe Reef off-shore Tauranga in October 2011.

The Mediterranean Shipping Company announced a \$1 million Recovery Fund to help those impacted to recover some of the costs involved in the clean-up following the Rena grounding. The fund is shared equally between Western Bay of Plenty District and Tauranga City councils.

Council is proud of the national recognition of its contracting partner, Inroads.

Inroads has managed the Performance Based Contract (PBC-01) for the maintenance of Council's roads and New Zealand Transport Agency's state highways in the Western Bay District since 2002. The Ingenium Excellence Award 2013 recognises excellence in public infrastructure management and Inroads was the only entrant to make the finals in the toughest of five categories - Innovation in Asset Management Planning.

Council continues to work closely with the kiwifruit grower community and wider industry during the ongoing recovery from the incursion of Psa-V.

The kiwifruit industry is still recovering from the massive impact of the disease that has wiped out the majority of Gold fruit in the Bay of Plenty. Since the outbreak of Psa-V in 2010 the Bay of Plenty economy has suffered serious economic fallout due to seasonal labour downturns, losses to the industry's service trades, school roll downturns and slowed retail spending.

Gold kiwifruit sales were down 16 percent in 2012/13 and the impact is predicted to be worse in 2013/14 with Gold kiwifruit volumes down to around 13 million trays for the year.

However on the positive side the industry is rebounding and growers are showing resilience and perseverance in



establishing the new varieties of kiwifruit to fill the gap and are changing management practices to cope with the disease.

It is expected that Gold kiwifruit volumes will begin to recover next season as a result of the extensive grafting of the more Psa-tolerant G3 to take over from the Psa-sensitive Hort16A.

There is also the obvious knock-on effect on orchard values as a result of the disease and concerns about the consequent impact that downturn in value has on the affordability of Council's orchard-owning ratepayers. Council's partnership with Tauranga City Council and the Bay of Plenty Regional Council continues to ensure that the region's recreational and leisure assets are well maintained and enhanced.

Council's flagship recreational asset – the TECT (Tauranga Energy Consumer Trust) All Terrain Park – is going from strength to strength under the stewardship of a professional management structure and through the commitment and passion of the various user groups.

The success of this 1638 ha park is underpinned by the significant 50/50 investment from both Tauranga City and Western Bay District councils.

The SmartGrowth Strategy Review has been adopted and will be assessed against the Census results when they are available in early 2014.

SmartGrowth is a Strategy for the Western Bay sub-region to plan for sustainable urban and rural development over a 50-year period. It identifies land supply needs and future settlement trends and also identifies the infrastructural needs to support that development.

The review is being undertaken to ensure the Strategy aligns with the downturn in development and population growth – largely as a result of the global financial crisis.

The Review is also timely and necessary to assess changes in the settlement pattern and to anticipate changes in the future such as the slowing of migration rates as a result of changing economic factors.

For all Local Territorial Authorities in New Zealand the future structure of local government is uncertain. Central Government began Local Government Reform in 2012. This reform raises questions about the functions of local government and seeks local government to find greater efficiencies and economies – and in some cases suggests councils could consider reorganisation or alternative service delivery models.

However this Council remains in good stead financially and operationally with a committed and loyal staff.

Testimony to the staff's expertise is Council's success in winning the Australasian Grand Final of the Local Government Management Challenge in Melbourne this year after winning the New Zealand leg of the Challenge in March.

The Great Western Bay Collaboration team consisted of six staff and their success is recognition of the staff's collaborative approach to support Council in delivering the best outcomes for ratepayers.

The win is further validation of Council's philosophy of continuous improvement that has been previously recognised with a silver award from the New Zealand Business Excellence Foundation in 2009.

I 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.

As always, a united workforce, strong governance and a realistic vision are keys to successful outcomes.

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 20,188 ratepayers. The annual rates revenue is \$50.01 million.

Net external debt at 30 June 2013 was \$140.02m (2012:\$144.27m). Capital expenditure in recent years has primarily been for funding new or upgraded core infrastructure.

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 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) 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

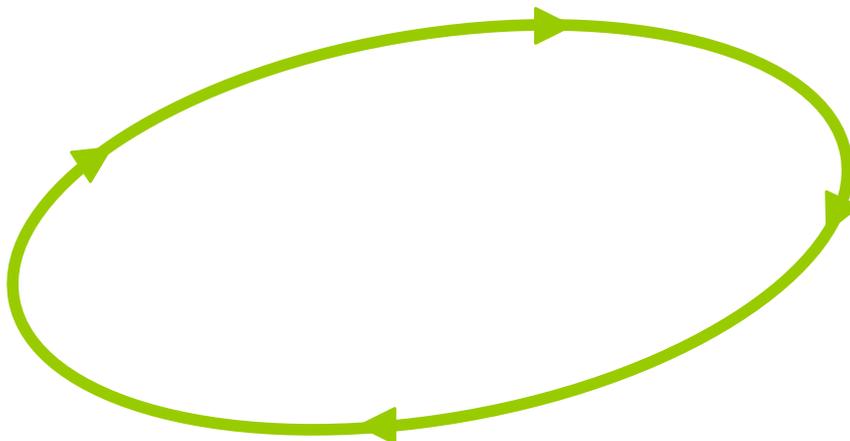
How Council will go about achieving the Community Outcomes

Annual Report

What was achieved

Annual Plan

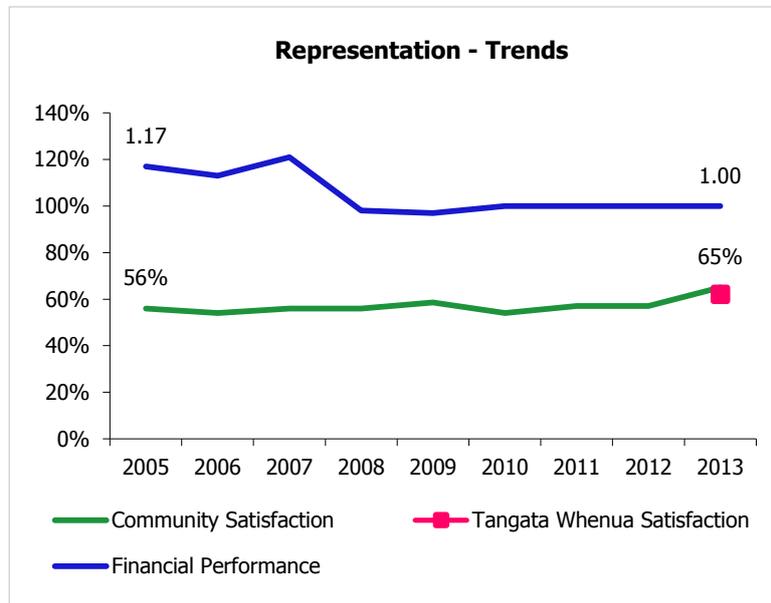
Annual Budget



Key performance measure results

Leadership

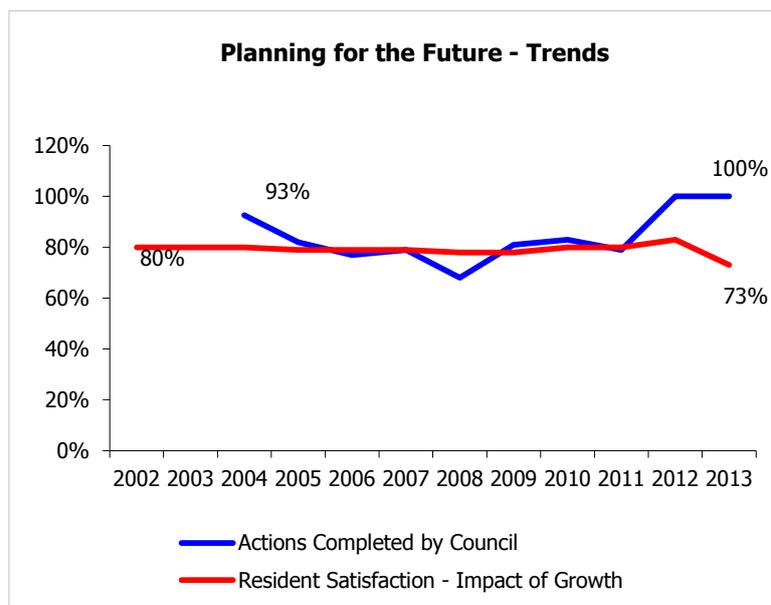
Representation



The financial performance index has been developed to monitor Council's financial trends and level of compliance with Treasury Policy. In 2013 Council met its financial performance target of 1.00.

Satisfaction with Council Performance - this monitors the level of community and tangata whenua satisfaction with opportunities to participate in decision making and the level of representation. This survey is conducted on a three yearly basis. Survey results for 2013 shows 65% community satisfaction and 62% tangata whenua satisfaction. As a result the targets of ≥ 55% have been achieved.

Planning for the Future

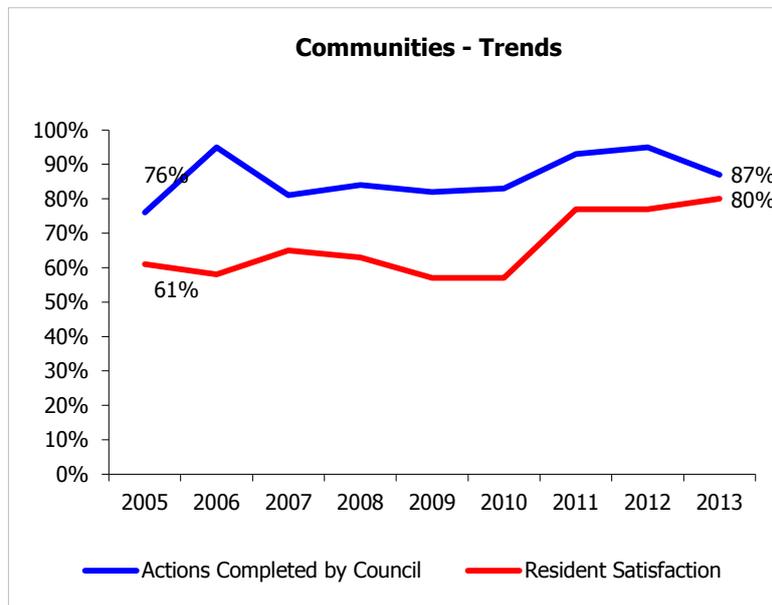


Actions completed by Council as defined in the Planning for the Future Action Plan - Council completed all of the actions scheduled for 2013, so the target of 90% was achieved. Actions included plan changes to the District Plan, development of a Matakana Island Plan and a review of the Maketu Reserve Management Plan.

Resident Satisfaction with the Impact of Growth on the District - this monitors the level of resident satisfaction with the impact of growth on the district. The 2013 result was 73%, which did not meet the target of 80%. The decline is attributed to the reduction in the number of attributes surveyed.

Building Communities

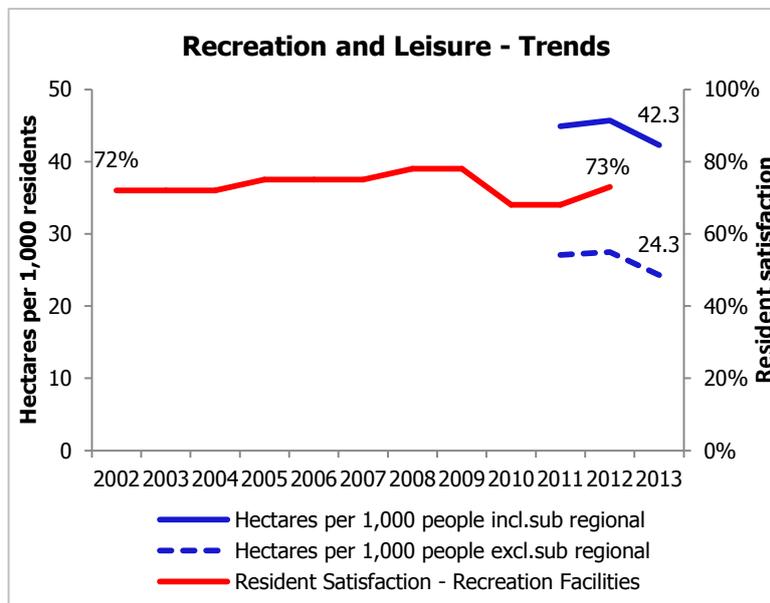
Communities



Actions completed by Council as defined in the Communities Action Plan – Council completed 87% of the actions scheduled in the action plan for the 2013 year and did not achieve the target of 90%. Actions included payment and monitoring of community services contracts, safer community initiatives, management of the cemeteries and libraries.

Resident Satisfaction with Community Development – this survey monitors residents satisfaction with the community development programme. This survey is conducted on a two yearly basis. The level of satisfaction with community services in 2013 is 80%, which achieved the 80% target.

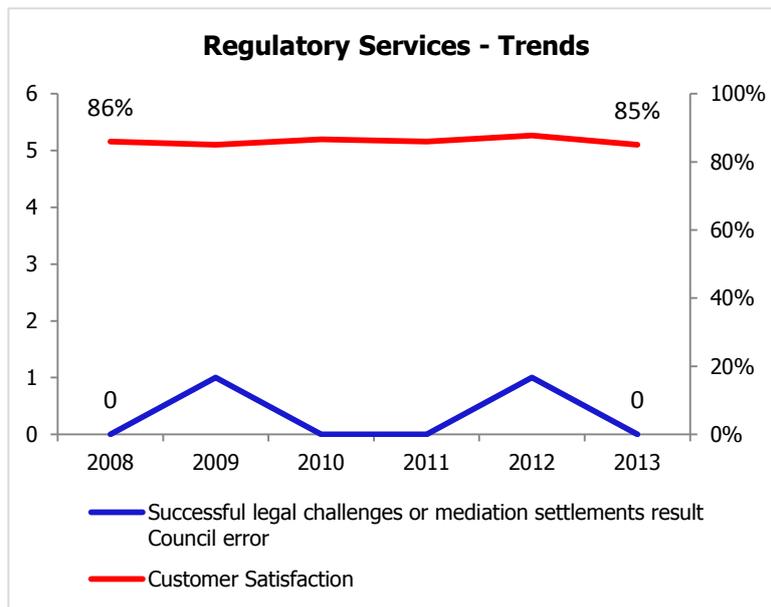
Recreation and Leisure



Recreational Services provided per 1,000 people – this monitors the park land available in the district per 1,000 people. The 2013 results were less than targets set. This is due a review of land holdings and calculations as required by monitoring agency.

Resident Satisfaction with Reserves and Recreational Facilities and Amenities – this survey monitors the level of satisfaction with reserves and recreational facilities and amenities. This survey is conducted on a two yearly basis. The next survey is scheduled in 2014.

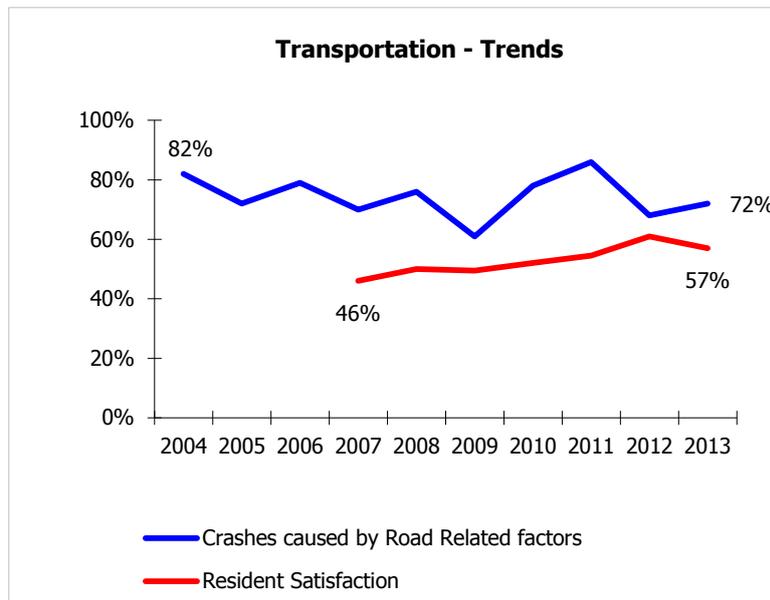
Regulatory Services



Successful legal challenges or mediation settlements as a result of Council error - in 2013 there were no successful challenges as a result of Council error.

Customer Satisfaction with Regulatory Services – this survey monitors customer satisfaction with all regulatory services. This includes Building & Health, Resource Consents, and Animal Services. The level of customer satisfaction in 2013 is 85%, which achieved the 85% target.

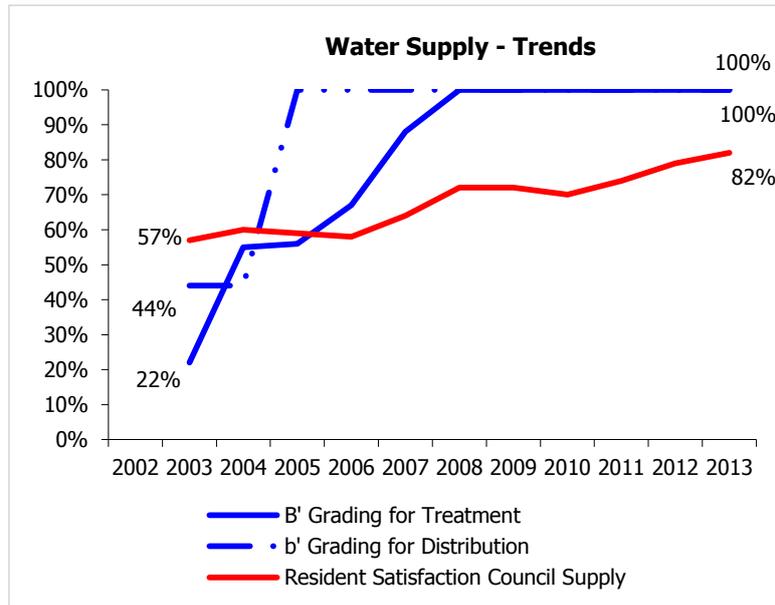
Transportation



Risk of Injury to Road User - This monitors the number of crashes caused by road related factors (e.g. potholes, surface roughness) compared to Council's peer group. Council's result of 72% indicates an above average result than our peer group. The target was $\leq 90\%$ of our peer group.

Satisfaction with Transportation - This survey monitors the level of satisfaction with roading, cycleways and walkways. The level of resident satisfaction in 2013 is 57%, which achieved the target of 55%.

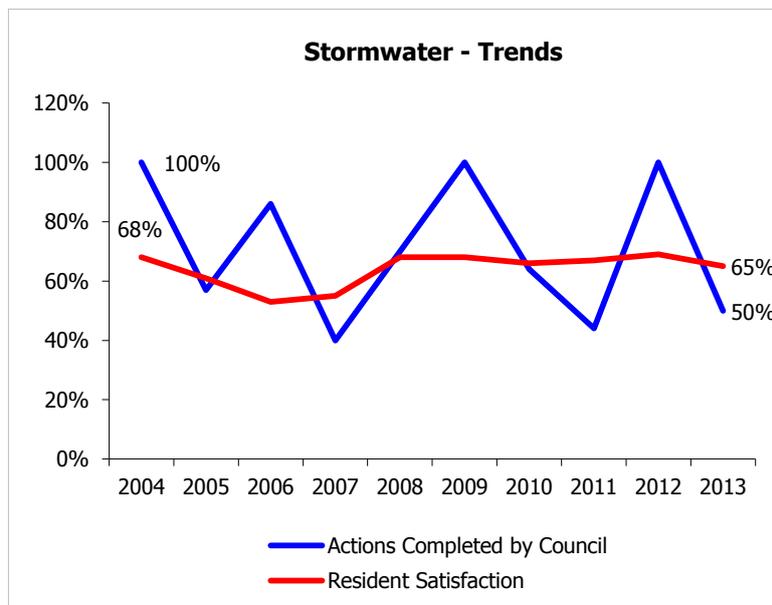
Water Supply



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 a 'b' grading for distribution. As a result our targets of 100% were achieved.

Resident Satisfaction with the quality of Council Water Supply – this survey monitors the level of satisfaction with the Council water supply. The level of satisfaction in 2013 is 82%, so our target of 75% was achieved. Key reasons for dissatisfaction were attributed to taste and use of chemicals.

Stormwater

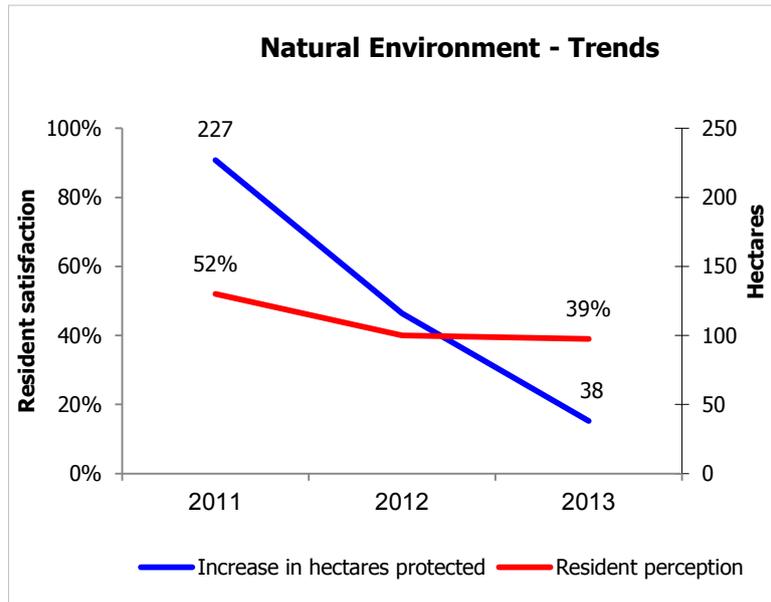


Actions completed by Council as defined in the Stormwater Action Plan - Council completed 50% of the actions scheduled for the 2013 year, so our 90% target was not achieved. Projects were delayed due to geo-technical and resource consent issues. The significant weather events resulted in increased maintenance expenditure to remedy damage caused.

Resident Satisfaction with Stormwater Systems – the level of satisfaction with stormwater systems in 2013 was 65%, so our 70% target was not achieved. Key reasons for dissatisfaction were related to the capacity and maintenance of drains and road flooding.

Protecting the Environment

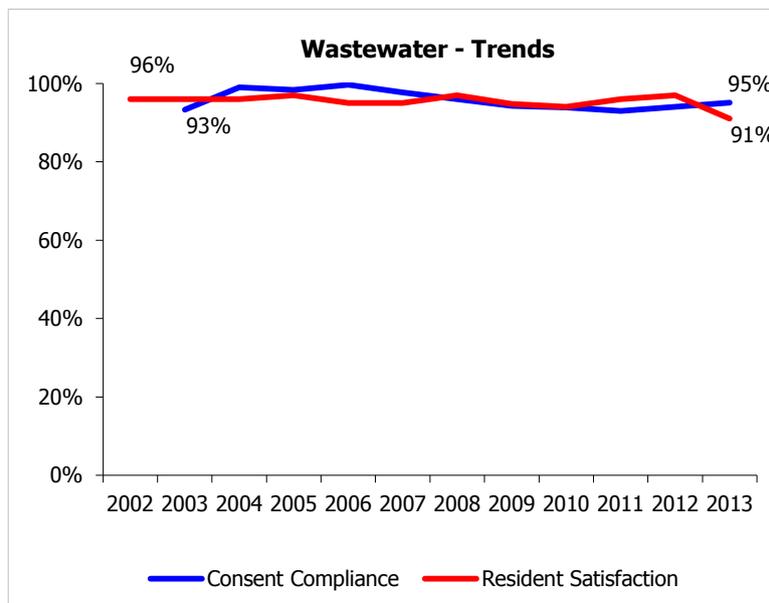
Natural Environment



Hectares of land physically and legally protected - the total number of hectares physically and legally protected increased in 2013 by 38ha. Our target was 100ha. This is a reflection of the economic down turn and the result of less subdivision.

Resident perception of an improvement in the environmental features – the environmental features monitored includes quality of streams and rivers, harbours and estuaries, air quality, amount of noxious weeds, protection of historic places, general level of cleanliness and the amount and quality of native plants. This survey revealed that 39% of residents surveyed perceive there has been an improvement. Our target was 50%.

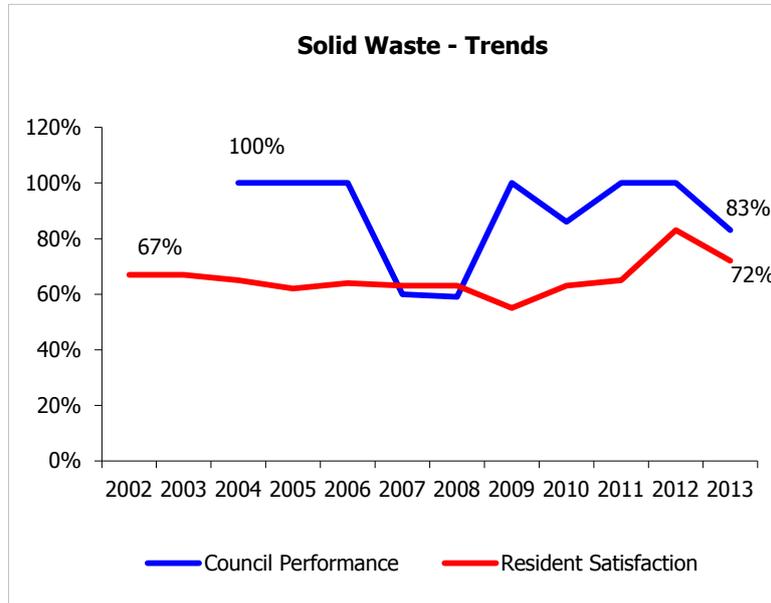
Wastewater



Level of Compliance with Resource Consents – the wastewater plants in Te Puke, Katikati and Waihi Beach, are monitored to ensure that discharges comply with resource consent conditions. All of the wastewater schemes achieved their target. Monitoring of the Maketu wastewater scheme will commence in 2013/14 year.

Resident satisfaction with Sewage Disposal Systems – the level of satisfaction with Council sewage disposal systems is 91%. Our target was 95%. The key reason for dissatisfaction was the cost of the wastewater schemes.

Solid Waste

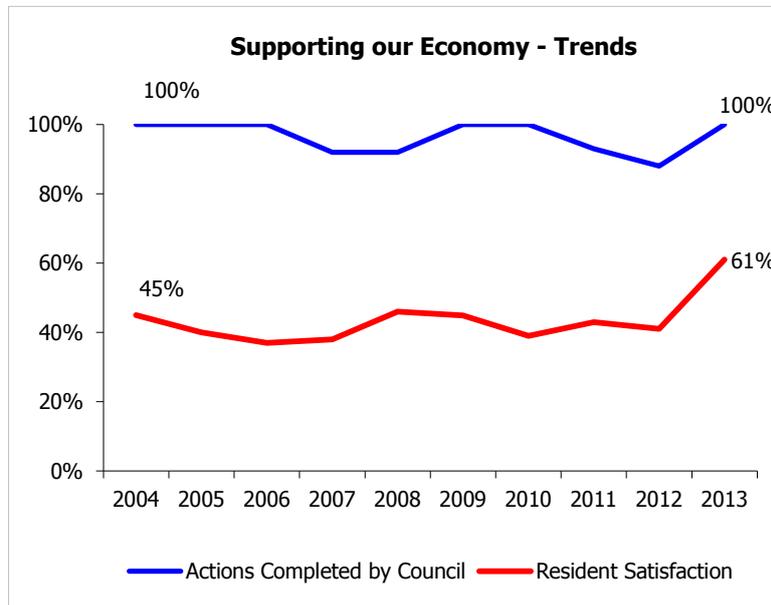


Actions completed by Council as defined in the Solid Waste Action Plan - Council completed 83% of the actions scheduled for the 2013 year. Our target was 90%. The waste minimisation project was deferred to the 2013/14 year.

Resident satisfaction with Household Rubbish Disposal Methods – 72% of the residents were satisfied with the options for disposing of household rubbish, so our target of 70% satisfaction was achieved. The key reasons for dissatisfaction was the unavailability of rubbish collection in some areas and the cost.

Supporting our Economy

Economic



Actions completed by Council as defined in the Economic Action Plan – all actions scheduled for the 2013 year have been completed, so our target was achieved. This included the payment of economic grants and town centre promotion and development.

Resident Satisfaction with Council’s Role in Promoting Business and Employment Opportunities – this survey monitors the level of satisfaction with Council’s role in promoting employment and business opportunities within the sub region. The level of satisfaction in 2013 was 61%, so our target of 55% satisfaction was achieved.

Support Services

A number of internal corporate services support our significant activities in delivering services to the community. Our Long Term Plan contains strategies for the activities that serve our community, for example water supply and transportation. Our Corporate Plan contains strategies for our support services. Corporate support activities have a crucial part to play in enabling staff to produce their best work and deliver the highest standards of service to our customers. The key strategic approach for each of our corporate support activities is broadly described below:

- ▶ Customer services
- ▶ Communications
- ▶ Relationship management
- ▶ Human resources and organisational development
- ▶ Information management
- ▶ Information technology
- ▶ Financial management
- ▶ Corporate assets
- ▶ Procurement
- ▶ Risk management
- ▶ Quality management

2012/13 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. The shared platform for GIS services was completed. This means all participating Council's are using the same software.

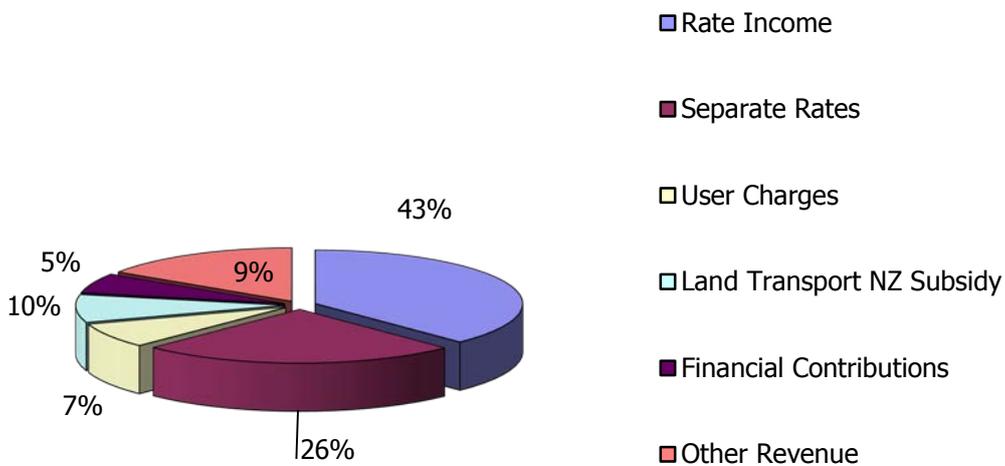
Council is a shareholder of the New Zealand Local Government Funding Agency Limited. This entity was created to provide more cost effective financing specifically to local authorities and Western Bay estimates that the on-going savings as a result of borrowing from the LGFA are \$100,000 per annum in interest costs.

Financial summary overview

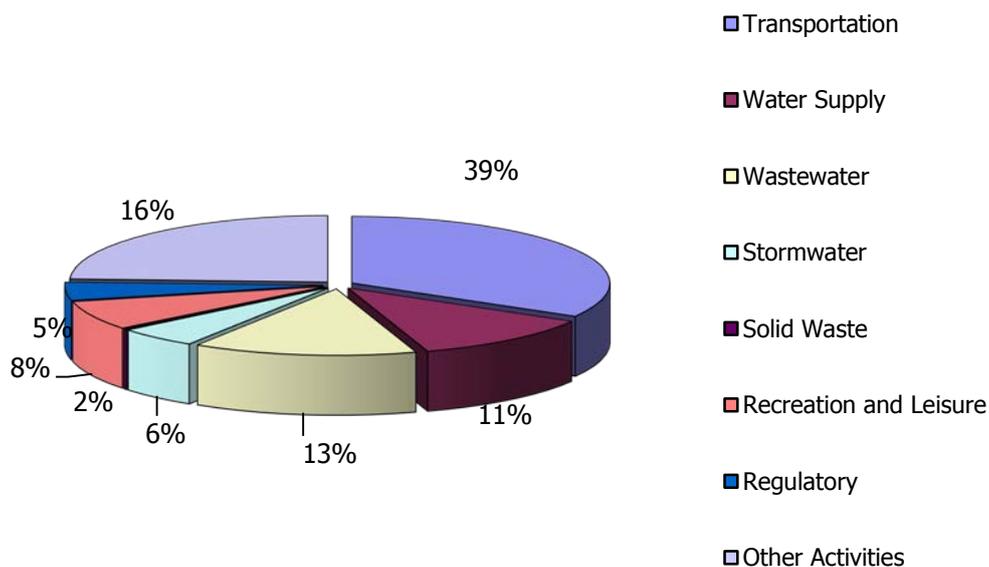
Council has reported a net surplus of \$5.54 million compared with a budgeted operating surplus of \$4.24 million. The major contributor to this increased surplus were valuation gains on Council owned forestry assets and greater finance income (as a result of unrealised hedged movement).

The following charts exclude the effect of asset ownership changes including Vested Assets (2012/2013) in Council's finances.

Council Revenue 2012/13 (excluding vested assets)



Council Capital and Operating Expenditure 2012/13 (excluding vested assets)



Summary extract from the statement of accounting policies for the year ended 30 June 2013

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").

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").

These financial statements have been prepared in accordance with NZ GAAP. They 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

All the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Associate entities and Council Controlled Organisations (CCO's)

An associate is an entity over which Western Bay has significant influence and that is neither a subsidiary nor an interest in a joint venture of Western Bay. Western Bay has a 50% ownership 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% ownership 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. Western Bay's share of the surplus or deficit of the associate is recognised in Western Bay's statement of comprehensive income. Distributions received from an associate reduce the carrying amount of the investment.

Where Western Bay transacts with an associate, surpluses or deficits are eliminated to the extent of Western Bay's interest in the relevant associate.

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 2013

	Actual \$'000 2013	Budget \$'000 2013	Actual \$'000 2012
Fees and charges from activities including targeted rates for water supply	8,827	7,101	7,925
Rates excluding targeted rates for water supply	50,014	50,469	47,957
Vested assets	1,345	2,240	184
Financial contributions	4,833	5,550	4,876
Finance income	5,741	902	581
Subsidies and grants	6,811	7,569	15,084
Other revenue	2,177	1,399	2,429
Gains	372	-	667
Total operating revenue	80,119	75,229	79,703
Expenditure			
Other expenses	35,414	32,358	61,749
Personnel costs	12,407	12,191	11,910
Depreciation expense	16,761	16,438	16,020
Amortisation expense	499	-	518
Impairment expense	-	-	2,145
Finance Costs	9,497	10,000	15,190
Total operating expenditure	74,578	70,986	107,532
Share of associates retained surplus			(15)
Net Surplus / (Deficit)	5,541	4,243	(27,843)
Other comprehensive income			
Gains/(Losses) on asset revaluations	51,590	42,644	(44,249)
Other assets at fair value through other comprehensive income	(5)	-	7
Total other comprehensive income for the year	51,585	42,644	(44,242)
Total comprehensive income for the year	57,126	46,887	(72,085)

Statement of comprehensive income for year ended 30 June 2013

Major variances

Council recorded a net surplus \$5.54 million (m) as compared with a budgeted surplus of \$4.24m, an increase of \$1.30m. The major contributors to this variance were:

- ▶ Fees and charges from activities of \$8.827 million (m) is \$1.726m higher than budget. This is due to additional funding being received from Tauranga City Council and the Bay of Plenty Regional Council of \$0.40m to fund seal extension works. Welcome Bay Road upgrade funding from Tauranga City Council of \$0.35m. Compensation from land owners on Matakana Island of \$0.38m for an easement to Panepane point. Higher volumetric water charges of \$0.343m.
- ▶ Rate income of \$50.014m is \$0.455m lower than the \$30.678m budget. This is due to the community board rate of \$0.57m being allocated to separate rates and rates penalties being lower than budgeted.
- ▶ Financial contribution revenue of \$4.833m is \$0.72m lower than the \$5.550m budget due to lower than expected subdivision.
- ▶ Finance income of \$5.741 is \$4.84m higher than the \$0.902m budget. This is due to the \$4.60m upwards revaluation of Council's interest rate swap portfolio, this income is non-cash and higher than forecast deposit interest income.
- ▶ Vested assets income of \$1.345m is \$0.895m lower than the \$2.240m budget. This was due to less land and infrastructure being vested to Council from developers. This income is non-cash.
- ▶ Gains income of \$0.372m relates to the increase in value of Council owned forestry assets at the TECT All Terrain Park and Waihi Beach. This income is non-cash.
- ▶ Other revenue of \$2.177m is \$0.778m higher than the budget of \$1.399m. This is due to gains on assets sales of \$0.56m and additional rental income of \$0.20m.
- ▶ Other expenses of \$35.414m was \$3.06m higher than the \$32.358m budget. This variance is primarily due to the PBC roading contract, which pays a lump sum per annum for all capital and operational costs. The 2012/13 year saw higher operation costs than capital costs.
- ▶ Personnel costs of \$12.407m were \$0.216m higher than the \$12.191m budget. This was due to additional staff being required in the regulatory and utilities activities.
- ▶ Depreciation and amortisation costs of \$17.260m were \$0.82m higher than the budget of \$16.438m. This is due to an increase in the valuation of coastal and marine asset and the fall in value of Council held carbon credits.
- ▶ Finance costs of \$9.497m were \$0.50m lower than the budget of \$10m. This is due to Council having a lower external debt than forecast for much of the year and the effect of lower interest rate margins being received from the New Zealand Local Government Funding Agency Limited.



Statement of changes in equity year ended 30 June 2013

	Retained Earnings	Asset Revaluation Reserve	Council Reserves	Total Equity
Balance at 1 July 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
Total comprehensive income for the year	1,156	51,324	4,645	57,126
Balance at 30 June 2013	683,585	276,382	17,735	977,702

Statement of financial position at 30 June 2013

	Actual \$'000 2013	Budget \$'000 2013	Actual \$'000 2012
Total Equity	977,702	1,103,494	920,577
Assets			
Total current assets	43,506	15,704	24,284
Total non-current assets	1,129,612	1,266,154	1,078,682
Total Assets	1,173,116	1,281,858	1,102,966
Liabilities			
Total current liabilities	58,984	59,801	32,440
Total non-current liabilities	136,430	118,563	149,949
Total Liabilities	195,414	178,364	182,389
Net Assets	977,702	1,103,494	920,577

Major variances

The major variances to budget were:

- ▶ Property, plant and equipment was \$139.4m lower than forecast. This is the result of the revaluations in the 2011/12 year that had not been accounted for at the time of the budget being completed.
- ▶ Debtors and other receivables reduced by \$3.5m due to the timing of subsidy income for the Maketu/Little Waihi wastewater scheme which was substantially completed in the 2011/12 year.
- ▶ Borrowings were \$19.4m higher due to the timing of debt draw downs and maturity payments. This was offset by Council having an additional \$25.0m in cash deposits at balance date.
- ▶ There was an unrealised interest rate swap of \$7.6m compared to \$12.2m in 2012. This is due to the upward movement of wholesale interest rates over the 2012/13 year.

Statement of cash flows for the year ended 30 June 2013

	Actual \$'000 2013	Budget \$'000 2013	Actual \$'000 2012
Cash flows from operating activities			
Receipts from rates revenue	50,349	51,307	48,258
Other income	26,661	22,028	30,659
Regional Council rates	4,563	2,735	3,989
Total operating cash provided	81,573	76,070	82,906
Total operating cash applied	(61,312)	(53,826)	(55,406)
Net cash from operating activities	20,261	22,244	27,500
Cash flows from investing activities			
Total investing cash provided	1,130	485	3,192
Total investing cash applied	(42,139)	(20,456)	(40,096)
Net cash from investing activities	(41,009)	(19,971)	(36,904)
Cash flows from financing activities			
Proceeds from borrowings	25,000	10,000	65,000
Repayment of borrowings	(6,003)	(6,000)	(60,000)
Net cashflows from financing activities	18,997	4,000	5,000
Net (decrease)/increase in cash held	(1,752)	6,272	(4,404)
Cash, cash equivalents and bank overdrafts at the beginning of the year	11,234	1,601	15,637
Cash, cash equivalents and bank overdrafts at the end of the year	9,482	7,873	11,234

Major variances

The major variances to budget were:

- ▶ 2013 actual movement was a net decrease in cash held of \$1.752m versus a budgeted net increase of \$6.272m and actual 2012 net decrease in cash held \$4.404m.
- ▶ Net cash flows from operating activities of \$20.261m versus \$22.244m budget and 2012 actual of \$27.500m. The unfavourable variance to budget is due to reduction in creditors and payables being greater than the reduction in debtors.
- ▶ Net cash flows from investing activities of (\$41.009)m versus (\$19.971)m budget and 2012 actual of (\$36.904)m. The majority of this adverse variance can be attributed to Council placing \$25m on a fixed term deposit for 12 months. This can be seen in the increase in Council investments at balance date.
- ▶ Net cash flows from financing activities of \$18.997m versus \$4m budget and 2012 actual of \$5m. This adverse variance is the result of Council refinancing debt in advance of the maturity and offsets the adverse variance in the cash flows from investing activities.

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

	Actual \$'000 2013	Actual \$'000 2012
Net surplus / (deficit)	5,541	(27,843)
Add/(less) non-cash items		
Depreciation and amortisation	17,260	16,537
Vested assets	(1,345)	(184)
Gain on sale of assets	(564)	(940)
Gain on valuation of assets	(371)	(667)
Investment in associates movement	-	15
Loss on sale of assets	1,004	569
Loss on valuation of assets	-	36,989
Landfill aftercare provision movement	(8)	(8)
Weathertight homes provision movement	-	245
Performance based contract (PBC) liability movement	(352)	(1,268)
Unrealised interest	(493)	(304)
Employee expenses	(74)	133
Unrealised hedging movement	(4,601)	5,571
Impairment of financial instrument	-	2,145
Add/(less) movements in working capital items:		
Accounts receivable	3,448	1,278
Accounts payable	807	(4,761)
Add/(less) items classified as investing activities		
Revaluation of shares	9	(7)
Net cash inflow (outflow) from operating activities	20,261	27,500

Summary of cost of services - Council

Total operating revenue

	Actual \$'000 2013	Budget \$'000 2013	Actual \$'000 2012
Significant activities			
Representation	2,540	2,524	2,265
Planning for the future	2,287	2,283	2,241
Communities	4,609	4,915	4,409
Recreation and leisure	8,329	7,203	6,601
Regulatory services	5,204	4,629	3,520
Transportation	23,315	24,067	26,528
Water supply	9,040	8,690	8,227
Stormwater	3,130	3,311	2,650
Natural environment	234	234	267
Wastewater	9,862	9,026	14,930
Solid waste	1,378	1,593	1,270
Economic	1,542	1,329	1,756
Support services	8,647	5,427	5,041
Total operating revenue by activity	80,119	75,229	79,703

Total operating expenditure

	Actual \$'000 2013	Budget \$'000 2013	Actual \$'000 2012
Significant activities			
Representation	2,397	2,529	1,978
Planning for the future	1,746	2,283	2,082
Communities	4,577	4,505	5,098
Recreation and leisure	5,764	5,024	30,728
Regulatory services	4,198	4,479	4,355
Transportation	23,372	21,068	17,330
Water supply	9,877	9,517	9,924
Stormwater	4,385	3,811	5,757
Natural environment	241	317	277
Wastewater	12,193	11,346	11,276
Solid waste	1,208	1,564	1,497
Economic	853	1,049	1,124
Council services	3,768	3,496	16,106
Total operating expenditure by activity	74,578	70,986	107,532

Statement of commitments at 30 June 2013

	Actual \$'000 2013	Actual \$'000 2012
Capital commitments approved and contracted	19,270	2,418
Non-cancellable operating lease commitments		
Plant and equipment		
Not later than one year	84	84
Later than one year and not later than two years	77	84
Later than two years and not later than five years	-	77
Total operating lease commitments	161	245

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 2012, Council entered into a two year extension to the 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 \$26.07 million and as of 30 June 2013 \$18.65 million (2012: nil) remained committed on this contract for the remaining 15 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.



Contingencies

	\$'000 2013	\$'000 2012
Building Act claims	50	50
Weathertight Homes Resolution Service (WHRS)	600	600
Katikati Heritage Museum Charitable Trust	550	550
Athenree Property Limited	2,433	-
Local Authority Protection Programme Disaster Fund (LAPP)	380	-
Total contingent liabilities	4,013	1,200

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 that Act indicating potential liabilities of \$300,000 (2012: \$300,000) had been brought to the Western Bay's attention. The \$50,000 disclosed relates to the expected cost to the 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 2013 (2012: ten additional claims). 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. Two of these claims have been closed. There are a total of ten claims that are still open as at balance date (2012:13).

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.

Athenree Property Limited

Council are being sued by Athenree Property Limited in the High Court. They claim \$2,433,000 plus interest and costs

for alleged negligent preparation of plan change documents and promulgation of incorrect information on planning maps and in LIM reports. Council's legal advisors have assessed the overall claim against Council and their assessment is that overall the claim against Council is weak and lacking in merit. Therefore, this has been disclosed as a contingent liability.

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 2013 there were 30 (2012:19) shareholders made up of 29 local authorities and the Crown.

All 30 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 \$2,475m (2012: \$835m) 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 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.

Other legal proceedings continued

Local Authority Protection Programme Disaster Fund (LAPP)

Council's underground infrastructure assets are insured through a fund held jointly with the majority of other Local Authorities. This fund was nearly exhausted through the two Christchurch earthquakes claims. Subsequently, in order to keep premiums at a more affordable level, the fund has incorporated a risk sharing scheme. This means that Western Bay of Plenty District Council may have to contribute up to \$380,000 if there are two Christchurch type events in the next financial year.

Share of associates' contingent liabilities

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



Related Party Transactions

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

Related party transactions with associates

	Actual \$'000 2013	Actual \$'000 2012
Western Bay Moana Rural Fire Authority		
Services provided by Western Bay	107,790	104,650
Western Bay of Plenty Tourism and Visitors' Trust		
Services provided to Western Bay	200,100	-
Bay of Plenty Local Authority Shared Services Limited		
Services provided to Western Bay	147,569	135,379
New Zealand local Government Funding Agency		
Funding provided to Western Bay	25,000,000	45,000,000

During the year Council provided funding of \$168,354 (2012: \$Nil). Te Puke Economic Development Group. Karyl Gunn, the Te Puke Community Board Chairperson is a director. The Te Puke Economic Development Group's was established to facilitate the engagement of all economic sectors in the Western Bay of Plenty district and to grow economic value.

Councillor Mike Williams is the chairperson of the Katikati Heritage Museum Trust (The Trust). Council has provided the BNZ bank with a guarantee of \$550,000 to assist The Trust with securing finance.

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 2012/2013 year 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; it has complied with laws, regulations and contractual requirements; and, its 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 the 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 \$1,078 (2012: \$3,992, negotiated on normal commercial terms). There was no balance outstanding at year-end (2012: \$nil).

During the year council provided funding of \$183,643 to Priority One (2012: \$183,603), 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 Bernard Dobbie Art and Illustrations, these services cost \$Nil (2012: \$8,425). Bernard Dobbie is the brother of Western Bay's Group Manager Corporate and Planning Services.

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 (2012: \$nil).

	Actual \$'000 2013	Actual \$'000 2012
Salaries and other short term employee benefits	952	882
Termination benefits	-	-
Total key management personnel compensation	952	882

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

Elected member remuneration

	Actual \$'000 2013	Actual \$'000 2012
Councillors	416	408
Community board members	90	91
Total elected member remuneration	506	499



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 2013

We have audited the summary of the annual report (the summary) as set out on pages 6 to 27, which was derived from the audited statements in the annual report of the Western Bay of Plenty District Council (the District Council) for the year ended 30 June 2013 on which we expressed an unmodified audit opinion in our report dated 19 September 2013.

The summary comprises:

- the summary statement of financial position as at 30 June 2013, 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 District Council's service performance results 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 19 September 2013 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 District Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary in accordance with FRS-43: Summary Financial Statements. The Council is also responsible for the publication of the summary, whether in printed or electronic form. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General's auditing standards and

Audit Report

the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council.



B H Halford,
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
19 September 2013