

CHAPTER THREE

Finances



CHAPTER THREE

| | |
|--|-----|
| Statement of comprehensive revenue and expense for year ended 30 June 2017 | 130 |
| Statement of financial position as at 30 June 2017 | 131 |
| Statement of changes in equity for year ended 30 June 2017 | 132 |
| Statement of cash flows for year ended 30 June 2017 | 133 |
| Notes to the financial statements | 134 |
| Other legislative disclosures | 195 |
| Summary funding impact statements | 195 |

WESTERN BAY OF PLENTY DISTRICT COUNCIL

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2017

| | | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|--|----------|------------------|------------------|------------------|
| | NOTE | 2017 | 2017 | 2016 |
| Revenue from non-exchange transactions | | | | |
| Fees and charges from activities | 4 | 6,282 | 6,434 | 6,909 |
| Rate revenue | 5, 6 & 7 | 63,657 | 62,459 | 61,683 |
| Fines | | 201 | 295 | 198 |
| Vested assets | 9 | 3,658 | 683 | 42,408 |
| Financial contributions | 11 | 10,993 | 7,051 | 7,862 |
| Subsidies and grants | 10 | 10,359 | 8,817 | 7,098 |
| Other revenue | 11 | 464 | 360 | 452 |
| Unrealised hedging movement | | 5,142 | - | - |
| Gains | 21 | 1,542 | - | 1,079 |
| Revenue from non-exchanged transactions total | | 102,296 | 86,099 | 127,689 |
| Revenue from exchange transactions | | | | |
| Finance revenue | 8 | 1,272 | 1,183 | 1,096 |
| Dividends | | 227 | - | 249 |
| Rental Revenue | | 1,093 | 1,050 | 1,200 |
| Other exchange revenue | 11 | 1,357 | 634 | 912 |
| Total revenue | 2 | 106,247 | 88,966 | 131,146 |
| Expenditure | | | | |
| Other expenses | 12 | 35,966 | 33,921 | 33,677 |
| Personnel costs | 13 | 16,830 | 16,295 | 15,293 |
| Depreciation | 21 | 19,052 | 18,786 | 19,992 |
| Amortisation | 22 | 360 | 138 | 396 |
| Impairment expense | | - | - | 471 |
| Unrealised hedging movement | | - | - | 4,851 |
| Finance costs | 8 | 8,246 | 7,890 | 8,708 |
| Expenditure total | 3 | 80,454 | 77,030 | 83,388 |
| Share of associate surplus/(deficit) | | (205) | - | (25) |
| Net surplus / (deficit) | | 25,587 | 11,936 | 47,733 |
| Other comprehensive revenue and expenses | | | | |
| Gains/(Losses) on asset revaluations | 31 | - | 15,957 | - |
| Reversal of impairment | | 7,868 | - | - |
| Other assets at fair value through other comprehensive revenue and expense | 28 | 76 | - | 31 |
| Total other comprehensive revenue and expense for the year | | 7,944 | 15,957 | 31 |
| Total comprehensive revenue and expense for the year | | 33,531 | 27,893 | 47,764 |

Explanations of major variances against budget are detailed in note 46 from page 193.

The accompanying notes form part of these financial statements.

WESTERN BAY OF PLENTY DISTRICT COUNCIL

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

| | | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|--|------|------------------|------------------|------------------|
| | NOTE | 2017 | 2017 | 2016 |
| Equity | | | | |
| Retained earnings | 28 | 784,184 | 738,025 | 754,269 |
| Restricted reserves | 29 | 266 | 257 | 261 |
| Council created reserves | 30 | 29,556 | 18,889 | 25,946 |
| Asset revaluation reserves | 31 | 341,279 | 372,247 | 341,279 |
| Equity total | | 1,155,286 | 1,129,418 | 1,121,755 |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 14 | 14,779 | 2,895 | 17,181 |
| Receivables | 15 | 7,721 | 11,380 | 6,461 |
| Non-current assets held for sale | 17 | 875 | - | 455 |
| Prepayments | 15 | 837 | 713 | 465 |
| Other current financial assets | 18 | 35,000 | - | - |
| Current assets total | | 59,212 | 14,988 | 24,562 |
| Non-current assets | | | | |
| Other non-current financial assets | 18 | 10,273 | 2,673 | 1,699 |
| Investment in associates | 19 | 222 | 427 | 427 |
| Investments in CCO and other similar entities | 20 | 3,603 | 3,042 | 3,039 |
| Intangible assets | 22 | 3,443 | 2,723 | 3,404 |
| Forestry assets | 23 | 6,843 | 5,819 | 5,819 |
| Property, plant and equipment | 21 | 1,248,923 | 1,260,192 | 1,239,804 |
| Non-current assets total | | 1,273,307 | 1,274,876 | 1,254,192 |
| Assets total | | 1,332,519 | 1,289,864 | 1,278,753 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Creditors and other payables | 24 | 14,547 | 12,885 | 11,413 |
| Current employee entitlements | 26 | 2,360 | 1,793 | 2,109 |
| Borrowings and other financial liabilities | 25 | 45,000 | 13,000 | 13,000 |
| Derivative financial instruments | 16 | 9,655 | 9,946 | 14,797 |
| Current portion provisions | 27 | 312 | 310 | 311 |
| Current liabilities total | | 71,875 | 37,934 | 41,630 |
| Non-current liabilities | | | | |
| Non current employee entitlements | 26 | 24 | 150 | 22 |
| Non current provisions | 27 | 334 | 362 | 346 |
| Non current borrowings and other financial liabilities | 25 | 105,000 | 122,000 | 115,000 |
| Other non current liabilities | | - | - | - |
| Non-current liabilities total | | 105,358 | 122,512 | 115,368 |
| Liabilities total | | 177,233 | 160,446 | 156,998 |
| Net assets | | 1,155,286 | 1,129,418 | 1,121,755 |

The accompanying notes form part of these financial statements.

Garry Webber
His Worship the Mayor
 Western Bay of Plenty District Council

WESTERN BAY OF PLENTY DISTRICT COUNCIL

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2017

| | NOTE | RETAINED EARNINGS | ASSET REVALUATION RESERVE | COUNCIL RESERVES | TOTAL EQUITY |
|---|------|-------------------|---------------------------|------------------|------------------|
| Balance at 1 July 2015 as restated | 36 | 710,230 | 341,242 | 22,433 | 1,073,905 |
| Total comprehensive income for the year | | 44,039 | 37 | 3,774 | 47,850 |
| Balance at 30 June 2016 | | 754,269 | 341,279 | 26,207 | 1,121,755 |
| Total comprehensive income for the year | | 29,915 | - | 3,615 | 33,531 |
| Balance at 30 June 2017 | | 784,184 | 341,279 | 29,822 | 1,155,286 |

The accompanying notes form part of these financial statements.

WESTERN BAY OF PLENTY DISTRICT COUNCIL

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2017

| | | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|--|-----------|------------------|------------------|------------------|
| | NOTE | 2017 | 2017 | 2016 |
| Cash flows from operating activities | | | | |
| Receipts from rates revenue | | 62,592 | 58,103 | 62,675 |
| Regional Council rates | | 6,439 | 5,546 | 5,903 |
| Interest received | | 637 | 408 | 404 |
| Dividends received | | 227 | 360 | 249 |
| Receipts from other revenue | | 31,138 | 27,804 | 25,021 |
| Payments to suppliers and employees | | (50,833) | (50,000) | (49,942) |
| Interest paid | | (7,966) | (7,890) | (8,533) |
| Regional Council rates | | (6,439) | (5,546) | (5,903) |
| Goods and services tax (net) | | 360 | - | 138 |
| Net cash from operating activities | 33 | 36,155 | 28,785 | 30,012 |
| Cash flows from investing activities | | | | |
| Receipts from sale of property, plant and equipment | | 1,175 | 85 | 654 |
| Purchase of property, plant and equipment | | (26,129) | (41,130) | (16,151) |
| Purchase of intangible assets | | (399) | (150) | (147) |
| Purchase of investments | | (35,205) | (320) | - |
| Net cash from investing activities | | (60,558) | (41,515) | (15,644) |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | | 35,000 | 20,000 | - |
| Repayment of borrowings | | (13,000) | (13,000) | (10,000) |
| Net cash from financing activities | | 22,000 | 7,000 | (10,000) |
| Net (decrease)/increase in cash held | | (2,402) | (5,730) | 4,368 |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | | 17,181 | 8,625 | 12,813 |
| Cash, cash equivalents and bank overdrafts at the end of the year | 14 | 14,779 | 2,895 | 17,181 |

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements.

Refer to Note 33 for reconciliation from net surplus to cash flows from operating activities.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2017

Reporting entity

Western Bay of Plenty District Council (Western Bay Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing Western Bay Council's operations includes the LGA and the Local Government (Rating) Act 2002.

Western Bay Council provides local infrastructure, local public services, and performs regulatory functions to the community. Western Bay Council does not operate to make a financial return.

Western Bay Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of Western Bay Council are for the year ended 30 June 2017. The financial statements were authorised for issue by Council on 21 September 2017.

Basis of preparation

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

Statement of compliance

The financial statements of Western Bay Council have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE Standards.

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Western Bay Council has applied these standards in preparing the 30 June 2017 financial statements.

Standards issued and not yet effective and not early adopted

In July 2015, the PBE IPSAS 1 accounting standard was updated to incorporate requirements and guidance for not-for-profit public benefit entities. The updated standard applies to PBEs with reporting periods beginning on or after 1 January 2016. Western Bay Council will apply this updated standard in preparing its 30 June 2017 financial statements. The Council expects that there will be minimal or no change in applying this updated accounting standard.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Statement of Significant Accounting Policies

Basis of consolidation

Associate

Western Bay Council's entities associate investment is accounted for in the financial statements using the equity method. An associate is an entity over which Western Bay Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. Western Bay Council has a 9.7% share in Bay of Plenty Local Authority Shared Services Limited (BOPLASS), and a 50% ownership in Western Bay of Plenty Tourism and Visitors' Trust.

The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

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

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

Revenue

Revenue is measured at fair value.

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

Rates revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Western Bay Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue
- Rates arising from late payment penalties are recognised as revenue when rates become overdue
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis
- Rates remissions are recognised as a reduction of rates revenue when Western Bay Council has received an application that satisfies its rates remission policy
- Rates collected on behalf of the Bay of Plenty Regional Council (BOPRC) are not recognised in the financial statements, as Western Bay Council is acting as an agent for the BOPRC.

Financial contributions

The Resource Management Act 1991 is the governing legislation regarding the charging of financial contributions.

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

New Zealand Transport Agency roading subsidies

Western Bay Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

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

Building and resource consent revenue

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

Entrance fees

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

Sales of goods

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

Infringement fees and fines

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

Vested or donated physical assets

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

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

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

Donated and bequeathed financial assets

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

Interest and dividends

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract, and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately and an expense in the surplus or deficit.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred. When it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised surpluses less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus surpluses less losses, the net amounts are presented as a liability.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Western Bay Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by Western Bay Council and the approval has been communicated to the applicant. Western Bay Council's grants awarded have no substantive conditions attached.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Income tax

Western Bay Council does not pay income tax as Section CW39 of the Income Tax Act 2007 specifically exempts income derived by a local authority from income tax, unless that income is derived from a Council Controlled Organisation, a port related commercial undertaking or as a trustee.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial

position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether Western Bay Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Western Bay Council does not currently have any finance leases.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

Receivables are recorded at their face value, less any provision for impairment.

Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage exposure to foreign exchange arising from Western Bay Council's operational activities and interest rate risks arising from Western Bay Council's financing activities. In accordance with its treasury policy, Western Bay Council does not hold or issue derivative financial instruments for trading purposes.

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

Western Bay Council has elected not to hedge account.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which Western Bay Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Western Bay Council has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit
- loans and receivables
- held-to-maturity investments; and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. Western Bay Council includes in this category:

- investments that Western Bay Council intends to hold long-term but which may be realised before maturity; and
- shareholdings that Western Bay Council holds for strategic purposes.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables, and held-to-maturity investments

Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant, and equipment

Property, plant, and equipment consist of:

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

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

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by Western Bay Council and group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation

Land and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Transportation assets including roads, bridges and footpaths were revalued at depreciated replacement cost at 1 July 2014 and certified by Opus International Consultants Limited.

Water, wastewater and stormwater assets including reticulation, treatment plants, reservoirs and bores were revalued at depreciated replacement cost at 1 July 2014 and certified by Aecom New Zealand Limited.

Land and buildings (except land under roads) were revalued at fair value at 1 July 2014 by Landmass Technology Limited. Library books were revalued at fair value by Aecon at 1 July 2014 and Marine assets were revalued at fair value by Tonkin and Taylor at 1 July 2014.

All other asset classes are carried at depreciated historical cost.

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

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

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Western Bay Council of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all buildings, bridges, reticulation assets and other structures, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Diminishing value is used for motor vehicles, office equipment and furnishings, library books and computer systems. Land and drains are non-depreciable. The useful lives and associated depreciation rates of major classes of assets have been estimated as provided below

| Buildings | | |
|----------------------------------|-----------------|-------------------|
| • concrete | 100 years | Straight line |
| • wooden | 40 years | Straight line |
| • improvements | 10 years | Straight line |
| Land (not depreciated) | | |
| Other plant and equipment | 10 years | Diminishing value |
| Office equipment and furnishings | 10 years | Diminishing value |
| Computer systems | 5 years | Diminishing value |
| Motor vehicles | 5 years | Diminishing value |
| Library books | 10-15 years | Straight line |
| Infrastructure | | |
| Roading network | | |
| Pavement (base course) | 25 to 75 years | Straight line |
| Seal | 12 years | Straight line |
| Unsealed | 3 to 5 years | Straight line |
| Other | 5 to 70 years | Straight line |
| Formation (not depreciated) | | |
| Bridges | | |
| • concrete | 100 years | Straight line |
| • steel | 50 years | Straight line |
| Reticulation | | |
| Water | 20 to 60 years | Straight line |
| Sewerage | 60 to 100 years | Straight line |
| Stormwater | 80 to 120 years | Straight line |
| Treatment plant and equipment | 25 to 50 years | Straight line |
| Other structures | | |
| Wooden reservoirs | 80 years | Straight line |
| Concrete reservoirs | 100 years | Straight line |
| Dams | 100 years | Straight line |
| Bores | 100 years | Straight line |

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

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

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Easements

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

Carbon credits

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

| | | |
|----------------------------|-------------------|--------------|
| Computer software | 3 to 5 years | 20% to 33.3% |
| Resource consents | life of the asset | 5% |
| Property subdivision right | 19 years | 5.3% |

Impairment of property, plant, and equipment and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use are not subject to amortisation and are tested annually for impairment.

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected future cash flows discounted at a current market determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs, and silvicultural costs and takes into consideration environmental, operational, and market restrictions.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Payables

Short-term creditors and other payables are recorded at their face value.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retirement gratuity and long-service leave expected to be settled within 12 months and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where the Western Bay Council has a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

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

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in “finance costs”.

Landfill post-closure provision

Western Bay Council as operator of the Te Puke and Athenree landfills, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including legal requirements and known improvements in technology. The provision includes all costs associated with landfills post-closure.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Western Bay Council to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that Western Bay Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- the present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee, or
- the amount initially recognised less, when appropriate, cumulative amortisation as revenue.

Equity

Equity is the community's interest in the Western Bay Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- accumulated funds
- restricted reserves
- property revaluation reserve
- fair value through other comprehensive revenue and expense reserve, and
- council created reserves.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Western Bay Council.

Restricted reserves include those subject to specific conditions accepted as binding by the Western Bay Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Western Bay Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Western Bay Council.

Property revaluation reserve

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

Fair value through other comprehensive revenue and expense reserve

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

Council created reserves

These reserves are made up general reserves and form a component of equity. They include Asset replacement reserves, disaster contingency reserves and general reserves.

Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Council in its Long Term Plan 2015-2025. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Cost allocation

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.

Cost of service statement policies

Council has derived the cost of service for each significant activity of the Western Bay of Plenty District Council using the cost allocation system set out below:

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Infrastructural assets

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

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

Depreciation Guidelines, published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modeling are also carried out regularly as part of the Western Bay's asset management planning activities, which gives Western Bay further assurance over its useful life estimates.

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

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2017:

Treatment of airport land

The airport land consists of some 225Ha of land of which some 86ha is jointly owned by Tauranga City Council (TCC) and Western Bay of Plenty District Council (WBOPDC). TCC are the legal owners of the land and WBOPDC are the beneficial or equitable owners of the jointly owned land. WBOPDC own 14.45% of the jointly owned land. The jointly acquired land is held by TCC on trust for itself and WBOPDC. As the legal owner TCC must exercise its rights of ownership in terms of the trust and for the benefit of the trustees.

The terms of the trust are that TCC may use the jointly acquired land rent free provided the land is used as an airport. In the event that the jointly owned airport land is sold and the principal use of the land is no longer an airport then a liability to WBOPDC is created for the sale price of the jointly owned land at that point.

Classification of property

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

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

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

SUMMARY OF COST OF SERVICES

2. TOTAL OPERATING REVENUE

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Significant activities | | | |
| Representation | 2,755 | 3,077 | 2,890 |
| Planning for the future | 2,219 | 2,115 | 1,950 |
| Communities | 6,427 | 6,414 | 5,768 |
| Recreation and leisure | 9,352 | 7,939 | 8,114 |
| Regulatory services | 7,551 | 6,846 | 7,360 |
| Transportation | 29,897 | 23,215 | 65,302 |
| Water supply | 12,336 | 10,779 | 11,439 |
| Stormwater | 7,050 | 6,382 | 5,999 |
| Natural environment | 782 | 671 | 664 |
| Wastewater | 14,665 | 14,552 | 12,682 |
| Solid waste | 1,783 | 1,785 | 1,721 |
| Economic | 955 | 948 | 980 |
| Council services | 10,475 | 4,243 | 6,276 |
| Total operating revenue by activity | 106,247 | 88,966 | 131,146 |
| Council services | 106,247 | 88,966 | 131,146 |

3. TOTAL OPERATING EXPENDITURE

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Significant activities | | | |
| Representation | 2,720 | 3,108 | 2,834 |
| Planning for the future | 2,171 | 1,934 | 1,913 |
| Communities | 6,468 | 5,887 | 5,490 |
| Recreation and leisure | 6,509 | 6,366 | 5,955 |
| Regulatory services | 7,285 | 6,022 | 6,692 |
| Transportation | 19,862 | 19,361 | 21,451 |
| Water supply | 10,535 | 10,663 | 10,083 |
| Stormwater | 3,820 | 4,122 | 3,997 |
| Natural environment | 691 | 700 | 696 |
| Wastewater | 13,316 | 12,599 | 12,314 |
| Solid waste | 1,536 | 1,852 | 1,305 |
| Economic | 637 | 649 | 818 |
| Council services | 4,904 | 3,767 | 9,840 |
| Total operating expenditure by activity | 80,454 | 77,030 | 83,388 |
| Council services | 80,454 | 77,030 | 83,388 |

4. FEES AND CHARGES FROM ACTIVITIES

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Significant activities | | | |
| Representation | 67 | 75 | 5 |
| Planning for the future | - | - | 1 |
| Communities | 391 | 209 | 166 |
| Recreation and leisure | 47 | 20 | 111 |
| Regulatory services | 4,871 | 4,065 | 4,671 |
| Transportation | 334 | 261 | 1,466 |
| Water supply | 73 | - | 38 |
| Stormwater | 209 | - | 1 |
| Natural environment | - | - | - |
| Wastewater | 19 | 2 | 5 |
| Solid waste | 94 | 78 | 211 |
| Economic | - | - | - |
| Council services | 177 | 1,725 | 234 |
| Total revenue from significant activities | 6,282 | 6,434 | 6,909 |

GENERAL RATE INCOME

5. GENERAL RATE INCOME

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|----------------------------|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Representation | 2,246 | 2,575 | 2,493 |
| Planning for the future | 2,204 | 2,103 | 1,937 |
| Communities | 3,683 | 3,175 | 3,288 |
| Recreation and leisure | 5,044 | 4,899 | 4,321 |
| Regulatory services | 1,911 | 1,936 | 1,938 |
| Transportation | 14,014 | 13,660 | 13,540 |
| Stormwater | 1,468 | 1,468 | 1,134 |
| Natural environment | 213 | 164 | 190 |
| Wastewater | 2,003 | 1,952 | 1,394 |
| Solid waste | 363 | 556 | 272 |
| Economic | 681 | 675 | 675 |
| Council services | 1,260 | 1,221 | 2,964 |
| Total general rates | 35,088 | 34,384 | 34,146 |

6. TARGETED RATES ATTRIBUTABLE TO ACTIVITIES

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Targeted rates attributable to activities | | | |
| Representation | 441 | 427 | 392 |
| Planning for the future | 13 | 13 | 13 |
| Communities | 2,066 | 2,005 | 1,846 |
| Recreation and leisure | - | 174 | - |
| Regulatory services | - | - | - |
| Transportation | 44 | 43 | 44 |
| Water supply | 6,401 | 6,271 | 6,414 |
| Stormwater | 3,836 | 3,823 | 3,681 |
| Natural environment | 325 | 328 | 316 |
| Wastewater | 9,447 | 9,297 | 9,323 |
| Solid waste | 1,031 | 1,000 | 1,069 |
| Economic | 271 | 271 | 259 |
| Council services | 928 | 900 | 914 |
| Total targeted rates | 24,804 | 24,550 | 24,270 |

Environment Protection is included as part of targeted rates.

Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. These non-rateable properties may be subject to targeted rates in respect of sewerage and water. Non-rateable land does not constitute a remission..

Rates remissions

Rates revenue is shown net of rates remissions of \$37,677 (2016: \$37,494). Western Bay Council's rates remission policy allows Western Bay Council to remit rates on condition of a ratepayer's extreme financial hardship, land used for sport and land protected for historical or cultural purposes.

7. TARGETED RATES FOR WATER SUPPLY

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|----------------------------|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Metered water charges | 3,765 | 3,524 | 3,267 |
| Total rates revenue | 63,657 | 62,458 | 61,683 |

8. FINANCE INCOME AND FINANCE COSTS

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|-------------------------------------|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Finance income | | | |
| Interest income | 1,262 | 1,175 | 1,082 |
| Rates postponement scheme | 10 | 8 | 14 |
| Total finance income | 1,272 | 1,183 | 1,096 |
| Finance costs: | | | |
| - interest on bank borrowings | 4,908 | 7,890 | 5,193 |
| - interest rate swap expense | 3,337 | - | 3,515 |
| Total finance costs | 8,246 | 7,890 | 8,708 |
| Net finance income / (costs) | (6,974) | (6,706) | (7,611) |

9. VESTED ASSETS

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|-------------------------------------|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Significant activities | | | |
| Recreation and leisure | - | - | 220 |
| Transportation | 1,970 | 217 | 40,936 |
| Water supply | 280 | 102 | 236 |
| Stormwater | 950 | 274 | 629 |
| Wastewater | 457 | 90 | 386 |
| Council services | - | - | - |
| Total significant activities | 3,658 | 683 | 42,408 |

The Te Puke Highway (formerly State Highway 2) was vested to Council on Saturday, August 1 2015 from NZTA for \$39.5m.

10. SUBSIDIES AND GRANTS

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Ministry for the Environment - territorial authority levy for trade waste | 176 | 150 | 168 |
| NZ Lotteries | - | - | 43 |
| Land Transport NZ subsidy | 10,087 | 6,775 | 6,764 |
| TECT | 43 | 126 | 43 |
| First Sovereign | - | - | 43 |
| Creative NZ | 18 | - | - |
| Glass Packaging Forum Scheme | 24 | - | - |
| Other | 10 | 1,766 | 37 |
| Total subsidies and grants | 10,359 | 8,817 | 7,098 |

There are no unfulfilled conditions or other contingencies attached to subsidies recognised (2016: nil).

11. OTHER REVENUE

| | ACTUAL \$'000 | BUDGET \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 |
| Petrol tax | 446 | 360 | 416 |
| Sale of goods and services | 1,313 | 952 | 851 |
| Cost recoveries | 62 | 45 | 97 |
| Total other revenue | 1,821 | 1,357 | 1,364 |
| Made up of: | | | |
| Exchange | 1,357 | 997 | 912 |
| Non exchange | 464 | 360 | 452 |
| Financial contributions | | | |
| Recreation and leisure | 2,302 | 1,690 | 1,788 |
| Transportation | 3,396 | 2,260 | 2,542 |
| Water supply | 1,726 | 898 | 1,277 |
| Stormwater | 585 | 704 | 551 |
| Natural environment | 244 | 180 | 158 |
| Wastewater | 2,739 | 1,319 | 1,545 |
| Total revenue from financial contributions | 10,993 | 7,051 | 7,862 |

12. OTHER EXPENSES

| | ACTUAL \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|
| | 2017 | 2016 |
| Audit fees for financial statement audit | | |
| - audit fees for financial statement audit | 142 | 127 |
| - audit fees for Long Term Plan | - | - |
| Insurance premiums | 334 | 351 |
| Consultant and legal fees | 2,073 | 2,194 |
| Impairment of receivables | 2,408 | 1,386 |
| Loss on sale of property, plant and equipment | 818 | 124 |
| Minimum lease payments under operating leases | 78 | 141 |
| Other operating expenses | 30,088 | 29,354 |
| Asset revaluation | 25 | - |
| Total other expenses | 35,966 | 33,677 |

13. PERSONNEL COSTS

| | ACTUAL \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|
| | 2017 | 2016 |
| Salaries and wages | 16,664 | 15,138 |
| Employer contributions to health insurance scheme | 166 | 154 |
| Total personnel costs | 16,830 | 15,293 |

Council's total Kiwisaver contributions to 30 June 2017 were \$425k (2016: \$351k).

14. CASH AND CASH EQUIVALENTS

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Cash at bank and on hand | 4,861 | 3,168 |
| Petty cash | 2 | 2 |
| Term deposits with maturities less than 3 months | 9,916 | 14,010 |
| Total cash and cash equivalents | 14,779 | 17,180 |

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

Interest rates

The weighted average effective interest rates on investments (current and non-current) and associated repricing maturities were:

| | 2017 | 2016 |
|---------------------|-------|-------|
| Short-term deposits | 3.47% | 2.86% |

15. DEBTORS AND OTHER RECEIVABLES

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Rates debtors | 6,596 | 7,422 |
| Metered water debtors | 1,062 | 1,104 |
| Other trade debtors | 1,995 | 1,425 |
| Sundry debtors | 1,876 | 700 |
| GST Receivables | - | 255 |
| Debtors and other receivables prior to impairment | 11,529 | 10,906 |
| Less provision for impairment of receivables | 3,808 | 4,445 |
| | 7,721 | 6,461 |
| Prepayments | 837 | 465 |
| | 8,558 | 6,926 |
| ¹ Receivables from non-exchange transactions | 8,240 | 6,743 |
| Receivables from exchange transactions | 318 | 183 |
| | 8,558 | 6,926 |

¹This includes outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates.

Fair value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

Western Bay of Plenty District Council (Western Bay Council) does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place, debts are discounted to the present value of future payments if the impact of discounting is material.

These powers allow Western Bay Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within 3 months of the Court's judgement, then Western Bay Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$nil (2016:\$nil). Western Bay Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The status of receivables as at 30 June 2017 and 2016 are detailed below:

| | 2017 | | | 2016 | | |
|----------------------------|---------------|--------------|--------------|---------------|--------------|--------------|
| | GROSS | IMPAIRMENT | NET | GROSS | IMPAIRMENT | NET |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Not past due | 7,229 | 811 | 6,418 | 6,004 | 742 | 5,262 |
| Past due 90 days - 2 years | 1,187 | 477 | 710 | 1,372 | 787 | 585 |
| Past due 2-3 years | 913 | 679 | 234 | 1,066 | 824 | 242 |
| Past due > 3 years | 2,200 | 1,841 | 359 | 2,464 | 2,092 | 372 |
| Total | 11,529 | 3,808 | 7,721 | 10,906 | 4,445 | 6,461 |

Receivables greater than 90 days are considered past due.

The impairment provision has been calculated based on expected losses for Western Bay Council's pool of debtors. Expected losses have been determined based on an analysis of Western Bay Council's losses in previous periods and a review of specific debtors as detailed below:

| | ACTUAL | ACTUAL |
|-----------------------|--------------|--------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Individual impairment | 1,841 | 2,092 |
| Collective impairment | 1,967 | 2,353 |
| As at 30 June | 3,808 | 4,445 |

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

| | ACTUAL | ACTUAL |
|----------------------|--------------|--------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Past due 30-59 days | - | - |
| Past due 60-89 days | - | - |
| Past due > 90 days | 1,841 | 2,092 |
| As at 30 June | 1,841 | 2,092 |

Movement in the provision for impairment of receivables is as follows:

| | ACTUAL | ACTUAL |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| As at 1 July | 4,445 | 4,082 |
| Additional provisions made during the year | 1,771 | 1,749 |
| Provisions reversed during the year | - | - |
| Receivables written off during the year | (2,408) | (1,386) |
| As at 30 June | 3,808 | 4,445 |

16. DERIVATIVE FINANCIAL INSTRUMENTS

| | ACTUAL | ACTUAL |
|---|----------------|-----------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Current portion | | |
| Interest rate swaps - not hedge accounted | (9,655) | (14,797) |
| Total derivative financial instruments | (9,655) | (14,797) |

Fair value

Interest rate swaps

The fair values of interest rate swaps have been determined using a discounted cash flows valuation technique based on quoted market prices. This valuation has been performed by ETOS Limited, independent valuers.

The notional principal amounts of the current outstanding interest rate swap contracts for the Western Bay Council were \$173m (2016: \$180.5m). At 30 June 2017, the fixed interest rates of cash flow hedge interest rate swaps vary from 3.04% to 5.99% (2016: 2.66% to 5.99%).

17. NON-CURRENT ASSETS HELD FOR SALE

Western Bay Council owns four residential sections (2016: two). Two of these are all located at Waihi Beach and two are located at Pukehina Beach. These properties have been identified as being surplus to requirements and have been approved for sale. These properties are expected to be sold within the next twelve months. There is no accumulated property revaluation reserve on these properties.

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Non-current assets held for sale are: | | |
| - land | 875 | 455 |
| Total non-current asset held for sale | 875 | 455 |

18. OTHER FINANCIAL ASSETS

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Current portion | | |
| Investments | | |
| Term deposits maturing within 12 months of balance date | 35,000 | - |
| Total investments | 35,000 | - |
| Total current other financial assets | 35,000 | - |
| Non-current portion | | |
| Non-current assets available for sale are: | | |
| Zespri Group Limited | | |
| 17,660 shares (no change from 2016) with a market value as at 30 June 2017 of \$5.35 (\$2.58 in 2016) per share. | 95 | 45 |
| Seeka Kiwifruit Industries Limited | | |
| 11,247 shares (2016: 7,693) with a market value as at 30 June 2017 of \$5.10 (\$4.52 in 2016) per share. | 57 | 35 |
| Total non-current assets available for sale | 152 | 80 |
| Loans and receivables | | |
| Te Tumu investment (note 42) | 10,121 | 1,618 |
| Total loans and receivables | 10,121 | 1,618 |
| Total non-current other financial assets | 10,273 | 1,698 |
| Total other financial assets | 45,273 | 1,698 |

Quoted shares

The fair values of listed shares are determined by reference to published current bid price quotations in an active market.

19. INVESTMENTS IN ASSOCIATES

| Share in associates | ACTUAL \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|
| | 2017 | 2016 |
| Western Bay of Plenty Tourism and Visitors' Trust (50%) | 222 | 427 |
| Total share in associates | 222 | 427 |

20. INVESTMENT IN COUNCIL CONTROLLED ORGANISATIONS (CCO'S) AND OTHER SIMILAR ENTITIES

| | ACTUAL \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|
| | 2017 | 2016 |
| Bay of Plenty Local Authority Shared Services Limited 3 shares (2016: no change) in BOPLASS Limited being a 9.7% share (2016: 9.7%) | 14 | 14 |
| NZ Local Government Insurance Company Limited 28,142 shares (2016: no change) with a market value as at 30 June 2017 of \$1.54 per share (2016: \$1.40) | 43 | 39 |
| Local Government Funding Agency Limited 3,731,958 shares (2016: no change) at \$1 per share \$0.50 share paid up capital (2016: no change) | 1,866 | 1,866 |
| Local Government Funding Agency Borrower Notes | 1,680 | 1,120 |
| Total Investment in Council Controlled Organisations (CCO's) and other similar entities | 3,603 | 3,039 |

| Bay of Plenty Local Authority Shared Services (BOPLASS) | ACTUAL \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|
| | 2017 | 2016 |
| Assets | 995 | 1,542 |
| Liabilities | 945 | 1,494 |
| Revenues | 1,742 | 1,524 |
| Surplus / (deficit) | 2 | (11) |
| Western Bay's % interest | 9.7% | 9.7% |

Balance date of all Council Controlled Organisations is 30 June.

21. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment notes

- There were no assets impaired, lost or given up during the year.
- Council has not pledged any property plant or equipment as security for liabilities.
- Land and buildings in the "Restricted Asset" category are subject to either restrictions on use, or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings under a bequest or donation that restricts the purpose for which the assets can be used).

Reconciliation of property, plant and equipment to statement of financial position

- In respect of the roading component of infrastructural assets:
Western Bay Council has formerly recorded a decision to maintain the network in a defined and appropriate operating capacity by a programme of restoration to ensure that its life will be indefinitely prolonged.
- An appropriate Asset Management Plan has been adopted by Council.
The Plan provides:
 - the level of service required;
 - the current physical extent, condition and capacity of the network;
 - the timing, extent and cost of work required to maintain and restore the network's defined operating capacity in future years.

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Depreciation and Amortisation Expense | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Representation | 12 | 8 |
| Planning for the future | 5 | 7 |
| Communities | 542 | 395 |
| Recreation and leisure | 1,652 | 1,684 |
| Regulatory services | 64 | 54 |
| Transportation | 8,381 | 9,453 |
| Water supply | 2,742 | 2,828 |
| Stormwater | 1,125 | 1,156 |
| Natural environment | 5 | 8 |
| Wastewater | 3,764 | 3,501 |
| Solid waste | 31 | 30 |
| Economic | - | - |
| Total depreciation and amortisation by activity | 18,324 | 19,124 |
| Depreciation and amortisation related to support services | 1,089 | 1,264 |
| Total depreciation and amortisation expense | 19,413 | 20,388 |
| Made up of: | | |
| Depreciation | 19,052 | 19,992 |
| Amortisation | 360 | 396 |
| Gains | ACTUAL \$'000 | ACTUAL \$'000 |
| | 2017 | 2016 |
| Representation | 1 | - |
| Planning for the future | 2 | - |
| Communities | 3 | - |
| Recreation and leisure | - | 29 |
| Transportation | 52 | - |
| Support services | 460 | 23 |
| Property plant and equipment gains | 518 | 52 |
| Intangibles (Emission Trading Scheme NZ Units) | - | 384 |
| Forestry | 1,024 | 643 |
| Total gains | 1,542 | 1,079 |
| Work in Progress | BUDGET \$'000 | ACTUAL \$'000 |
| | 2017 | 2016 |
| Communities | 289 | 120 |
| Recreation and leisure | 1,095 | 324 |
| Transportation | 4,337 | 676 |
| Water supply | 2,044 | 1,001 |
| Stormwater | 1,610 | 758 |
| Wastewater | 1,696 | 784 |
| Economic | - | 5 |
| Support services | 2,333 | 71 |
| Total work in progress | 13,405 | 3,739 |

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuations

Operational and restricted land and buildings

At fair value as determined from market based evidence by an independent valuer. The most recent valuation performed by Landmass Technology and the valuation was effective as at 1 July 2014. Once the ownership structure has been determined a revaluation movement will be taken up to reflect the correct value of Western Bay's share. Management are satisfied that the carrying value approximates fair value.

Coastal and Marine Structures

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Tonkin and Taylor Limited, and the valuation is effective as at 1 July 2014.

Infrastructural asset classes

Land

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Landmass Technology Limited and the valuation is effective as at 1 July 2014.

Sewerage and Wastewater

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Aecom Limited, and the valuation is effective as at 1 July 2014.

Stormwater

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Aecom Limited, and the valuation is effective as at 1 July 2014.

Water

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Aecom Limited and the valuation is effective as at 1 July 2014.

Roading

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Opus International Consultants Limited and the valuation is effective as at 1 July 2014.

Land under roads

Land under roads was valued based on average land values of the comparable surrounding land within wards by Landmass Technology Limited, effective 1 July 2014. On transition to NZ IFRS Western Bay Council elected to use the fair value of land under roads as at 1 July 2014 as deemed cost. Land under roads is no longer revalued. Subsequent additions have been recorded at cost.

Vested infrastructural assets

Valued based on the actual quantities of infrastructural components vested and the current in-ground cost of providing identical services. Assets vested to Western Bay Council are recognised in the statement of comprehensive income as revenue and in the statement of financial position as property, plant and equipment.

Library collections

At depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library of New Zealand in May 2002. Library stock has been valued effective 1 July 2014 by independent registered valuers, Aecom Limited.

Airport land

The airport land consists of some 225Ha of land of which some 86ha is jointly owned by Tauranga City Council (TCC) and Western Bay of Plenty District Council (WBOPDC). TCC are the legal owners of the land and WBOPDC are the beneficial or equitable owners of the jointly owned land. WBOPDC own 14.45% of the jointly owned land. The jointly acquired land is held by TCC on trust for itself and WBOPDC. As the legal owner TCC must exercise its rights of ownership in terms of the trust and for the benefit of the trustees.

The terms of the trust are that TCC may use the jointly acquired land rent free provided the land is used as an airport. In the event that the jointly owned airport land is sold and the principal use of the land is no longer an airport then a liability to WBOPDC is created for the sale price of the jointly owned land at that point.

Total fair value of property, plant and equipment valued by each valuer:

| Fair value | ACTUAL \$'000 | ACTUAL \$'000 |
|----------------------------|------------------|------------------|
| | 2017 | 2016 |
| Aecom | 284,676 | 284,676 |
| Opus | 525,921 | 525,921 |
| Landmass | 379,272 | 379,272 |
| Tonkin and Taylor | 6,560 | 6,560 |
| Interpine Forestry Limited | 6,843 | 5,819 |
| Total fair value | 1,203,272 | 1,202,248 |

Insurance disclosure as required under the Local Government Act 2002

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | CARRY AMOUNT \$'000 | INSURED AMOUNTS \$'000 |
|--|------------------------|---------------------------|
| | 30 JUNE 2017 | 30 JUNE 2017 |
| Category A Insurance Contracts | | |
| Water | 81,422 | 159,514 |
| Wastewater | 117,124 | 180,332 |
| Stormwater | 77,924 | 101,863 |
| Mobile Plant & Vehicles | 1,140 | 1,553 |
| Forestry | 6,843 | 8,830 |
| | 284,454 | 452,092 |
| Material Damage cover | - | 39,898 |
| Buildings | 36,257 | - |
| Coastal Marine | 6,928 | - |
| Libraries | 885 | - |
| Office Equipment | 1,625 | - |
| Plant & Equipment | 52 | - |
| | 45,747 | 39,898 |
| Category A Total | 330,201 | 491,990 |
| Category B Financial Risk Sharing Arrangements assets | | |
| Nil | - | - |
| Category B Total | - | - |
| Category C Self Insured Assets | | |
| Disaster Contingency Reserve | - | - |
| Land under roads | 261,523 | - |
| Roading - Other | 52,288 | - |
| Roading - Surfaces | 497,021 | - |
| Land | 101,793 | - |
| Category B Total | 912,625 | - |
| Total | 1,242,825 | 491,990 |

Work in progress

The total amount of property, plant and equipment in the course of construction is \$13.4m (2016: \$3.74m).

Impairment

There were no impairment losses in the year 30 June 2017 (2016: \$nil).

Core infrastructure asset disclosures

Included within the Council infrastructure assets above are the following core Council assets:

| Core infrastructure assets | CLOSING BOOK VALUE | ADDITIONS: CONSTRUCTED BY COUNCIL | ADDITIONS: TRANSFERRED TO COUNCIL | MOST RECENT REPLACEMENT COST ESTIMATE FOR REVALUED ASSETS |
|---|-----------------------|---|---|---|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Water | | | | |
| - treatment plants and facilities | 2,220 | 205 | - | 3,996 |
| - other assets (such as reticulation systems) | 79,202 | 3,774 | 280 | 145,544 |
| Stormwater drainage | 77,924 | 129 | 950 | 101,651 |
| Wastewater | | | | |
| - treatment plants and facilities | 12,169 | 117 | - | 25,087 |
| - other assets (such as reticulation systems) | 104,955 | 247 | 464 | 150,004 |
| Flood protection and control works | - | - | - | - |
| Roads and footpaths | 549,309 | 10,309 | 1,402 | 125,849 |
| Total core infrastructure assets | 825,779 | 14,782 | 3,096 | 552,131 |

| 2017 | Cost / Valuation | Accumulated depreciation and impairment charges | Carrying amount | Current year additions | Current year vested assets | Current year disposals | Current year disposal depreciation | Transfers | Current year depreciation | Revaluation | Revaluation depreciation | Cost / Valuation | Accumulated depreciation and impairment charges | Carrying amount |
|-------------------------------------|-----------------------|--|-----------------------|------------------------------|-------------------------------------|------------------------------|--|--------------|------------------------------|-------------|-----------------------------|------------------------|--|------------------------|
| | 1 July 2017 \$'000 | 1 July 2017 \$'000 | 1 July 2017 \$'000 | | | | | | | | | 30 June 2017 \$'000 | 30 June 2017 \$'000 | 30 June 2017 \$'000 |
| Council 2017 | | | | | | | | | | | | | | |
| Operational assets | | | | | | | | | | | | | | |
| Land | 28,702 | - | 28,702 | - | - | - | - | - | - | - | - | 28,702 | - | 28,702 |
| Buildings | 14,716 | (589) | 14,128 | 200 | - | (20) | 1 | - | (298) | - | - | 14,896 | (886) | 14,010 |
| Coastal Marine | 7,702 | (775) | 6,928 | 141 | - | - | - | - | (417) | - | - | 7,843 | (1,192) | 6,651 |
| Libraries | 1,672 | (641) | 1,031 | 240 | - | - | - | - | (386) | - | - | 1,912 | (1,027) | 885 |
| Office equipment | 6,391 | (4,745) | 1,646 | 330 | - | - | - | - | (351) | - | - | 6,721 | (5,096) | 1,625 |
| Plant and equipment | 218 | (143) | 75 | - | - | - | - | (11) | (12) | - | - | 207 | (155) | 52 |
| Vehicles | 1,949 | (839) | 1,110 | 471 | - | (255) | 174 | 11 | (371) | - | - | 2,177 | (1,037) | 1,140 |
| Work in progress | 196 | - | 196 | 2,423 | - | - | - | - | - | - | - | 2,619 | - | 2,619 |
| Total operational assets | 61,547 | (7,731) | 53,816 | 3,805 | - | (275) | 175 | - | (1,836) | - | - | 65,076 | (9,392) | 55,684 |
| Infrastructural assets | | | | | | | | | | | | | | |
| Land | 12,509 | - | 12,509 | - | - | (670) | - | - | - | - | - | 11,839 | - | 11,839 |
| Buildings | 1,633 | (168) | 1,465 | - | - | (549) | 35 | - | (38) | - | - | 1,084 | (170) | 914 |
| Water - treatment | 2,498 | (337) | 2,162 | 205 | - | - | - | - | (147) | - | - | 2,703 | (483) | 2,220 |
| Water - other | 82,963 | (5,230) | 77,733 | 3,587 | 280 | - | 32 | - | (2,617) | - | - | 86,830 | (7,815) | 79,015 |
| Stormwater | 80,289 | (2,303) | 77,985 | 129 | 950 | (20) | - | - | (1,121) | - | - | 81,349 | (3,425) | 77,924 |
| Wastewater - treatment | 14,499 | (1,420) | 13,079 | 117 | - | - | 17 | - | (1,044) | - | - | 14,616 | (2,447) | 12,169 |
| Wastewater - other | 112,511 | (5,523) | 106,988 | 247 | 464 | (40) | 5 | - | (2,709) | - | - | 113,182 | (8,227) | 104,955 |
| Land under roads | 260,955 | - | 260,955 | - | 569 | - | - | - | - | - | - | 261,523 | - | 261,523 |
| Roading other | 53,120 | (3,502) | 49,618 | 3,761 | 715 | - | - | - | (1,806) | - | - | 57,596 | (5,308) | 52,288 |
| Roading surface | 510,085 | (13,759) | 496,326 | 6,548 | 687 | - | - | - | (6,540) | - | - | 517,319 | (20,298) | 497,021 |
| Work in progress | 3,191 | - | 3,191 | 6,499 | - | - | - | - | - | - | - | 9,690 | - | 9,690 |
| Total infrastructural assets | 1,134,253 | (32,243) | 1,102,010 | 21,094 | 3,665 | (1,279) | 89 | - | (16,021) | - | - | 1,157,733 | (48,174) | 1,109,559 |
| Restricted assets | | | | | | | | | | | | | | |
| Land | 61,672 | - | 61,672 | - | - | - | - | (420) | - | - | - | 61,252 | - | 61,252 |
| Buildings | 18,698 | (2,141) | 16,557 | 656 | - | (25) | 4 | - | (1,137) | - | - | 19,328 | (3,275) | 16,054 |
| Improvements | 5,556 | (159) | 5,397 | 5 | - | (34) | - | - | (89) | - | - | 5,528 | (248) | 5,279 |
| Work in progress | 352 | - | 352 | 743 | - | - | - | - | - | - | - | 1,095 | - | 1,095 |
| Total restricted assets | 86,278 | (2,301) | 83,978 | 1,403 | - | (59) | 4 | (420) | (1,226) | - | - | 87,202 | (3,523) | 83,680 |
| Total Council | 1,282,078 | (42,274) | 1,239,804 | 26,302 | 3,665 | (1,613) | 268 | (420) | (19,084) | - | - | 1,310,012 | (61,089) | 1,248,923 |

| 2016 | Cost / | Accumulated | Carrying | Current | Current | Current | Current year | Transfers | Current year | Revaluation | Revaluation | Cost / | Accumulated | Carrying |
|-------------------------------------|------------------|-----------------|------------------|---------------|---------------|----------------|--------------|-----------|-----------------|-------------|--------------|------------------|-----------------|------------------|
| | Valuation | depreciation | amount | year | year | year | disposal | | depreciation | | depreciation | Valuation | depreciation | amount |
| | 1 July 2015 | 1 July 2015 | 1 July 2015 | additions | vested | disposals | depreciation | | | | | 30 June 2016 | 30 June 2016 | 30 June 2016 |
| | \$'000 | \$'000 | \$'000 | | assets | | | | | | | \$'000 | \$'000 | \$'000 |
| Council 2016 | | | | | | | | | | | | | | |
| Operational assets | | | | | | | | | | | | | | |
| Land | 28,525 | - | 28,525 | 177 | - | - | - | - | - | - | - | 28,702 | - | 28,702 |
| Buildings | 14,239 | (291) | 13,948 | 477 | - | - | - | - | (298) | - | - | 14,716 | (589) | 14,128 |
| Coastal Marine | 6,795 | (376) | 6,419 | 907 | - | - | - | - | (399) | - | - | 7,702 | (775) | 6,928 |
| Libraries | 1,533 | (320) | 1,213 | 139 | - | - | - | - | (321) | - | - | 1,672 | (641) | 1,031 |
| Office equipment | 6,122 | (4,436) | 1,686 | 269 | - | - | - | - | (309) | - | - | 6,391 | (4,745) | 1,646 |
| Plant and equipment | 188 | (129) | 59 | (3) | 33 | - | - | - | (14) | - | - | 218 | (143) | 75 |
| Vehicles | 2,007 | (875) | 1,132 | 713 | 56 | (827) | 404 | - | (368) | - | - | 1,949 | (839) | 1,110 |
| Work in progress | 2,067 | - | 2,067 | (1,871) | - | - | - | - | - | - | - | 196 | - | 196 |
| Total operational assets | 61,476 | (6,427) | 55,049 | 809 | 89 | (827) | 404 | - | (1,708) | - | - | 61,547 | (7,731) | 53,816 |
| Infrastructural assets | | | | | | | | | | | | | | |
| Land | 12,527 | - | 12,527 | 227 | - | (245) | - | - | - | - | - | 12,509 | - | 12,509 |
| Buildings | 1,619 | (117) | 1,502 | 14 | - | - | - | - | (51) | - | - | 1,633 | (168) | 1,465 |
| Water - treatment | 2,493 | (166) | 2,327 | 5 | - | - | - | - | (171) | - | - | 2,498 | (337) | 2,162 |
| Water - other | 78,811 | (2,574) | 76,237 | 3,916 | 236 | - | - | - | (2,656) | - | - | 82,963 | (5,230) | 77,733 |
| Stormwater | 79,640 | (1,155) | 78,485 | 19 | 629 | - | - | - | (1,148) | - | - | 80,289 | (2,303) | 77,985 |
| Wastewater - treatment | 12,690 | (691) | 11,999 | 1,809 | - | - | - | - | (729) | - | - | 14,499 | (1,420) | 13,079 |
| Wastewater - other | 112,092 | (2,748) | 109,344 | 33 | 386 | - | - | - | (2,775) | - | - | 112,511 | (5,523) | 106,988 |
| Land under roads | 241,902 | - | 241,902 | - | 19,053 | - | - | - | - | - | - | 260,955 | - | 260,955 |
| Roading other | 45,643 | (1,577) | 44,066 | 2,342 | 5,134 | - | - | - | (1,925) | - | - | 53,120 | (3,502) | 49,618 |
| Roading surface | 488,873 | (6,264) | 482,609 | 4,463 | 16,749 | - | - | - | (7,495) | - | - | 510,085 | (13,759) | 496,326 |
| Work in progress | 2,250 | - | 2,250 | 941 | - | - | - | - | - | - | - | 3,191 | - | 3,191 |
| Total infrastructural assets | 1,078,540 | (15,292) | 1,063,248 | 13,770 | 42,188 | (245) | - | - | (16,951) | - | - | 1,134,253 | (32,243) | 1,102,010 |
| Restricted assets | | | | | | | | | | | | | | |
| Land | 60,972 | - | 60,972 | 479 | 220 | - | - | - | - | - | - | 61,672 | - | 61,672 |
| Buildings | 17,557 | (1,292) | 16,265 | 1,141 | - | - | - | - | (849) | - | - | 18,698 | (2,141) | 16,557 |
| Improvements | 4,737 | 163 | 4,900 | 819 | - | - | - | - | (322) | - | - | 5,556 | (159) | 5,397 |
| Work in progress | 514 | - | 514 | (162) | - | - | - | - | - | - | - | 352 | - | 352 |
| Total restricted assets | 83,780 | (1,129) | 82,651 | 2,278 | 220 | - | - | - | (1,172) | - | - | 86,278 | (2,301) | 83,978 |
| Total Council | 1,223,794 | (22,848) | 1,200,946 | 16,858 | 42,496 | (1,072) | 404 | - | (19,830) | - | - | 1,282,078 | (42,274) | 1,239,804 |

Note: In 2016 prior year depreciation was adjusted by \$162,000 to reflect updates to the fixed asset register. Council's full year depreciation for the year is \$19,992,000.

22. INTANGIBLE ASSETS

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

Property subdivision rights - refer to Note 42.

| | COMPUTER SOFTWARE \$'000 | | RESOURCE CONSENTS \$'000 | | EMISSIONS TRADING SCHEME NZ UNITS | | PROPERTY SUBDIVISION RIGHTS | | TOTAL | |
|---|-----------------------------|------------|-----------------------------|------------|--------------------------------------|------------|--------------------------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Balance at 1 July | | | | | | | | | | |
| Cost | 4,212 | 4,055 | 600 | 600 | 219 | 219 | 2,627 | 2,627 | 7,658 | 7,501 |
| Accumulated amortisation and impairment | (3,228) | (2,979) | (166) | (147) | 384 | - | (1,245) | (1,107) | (4,254) | (4,232) |
| | 984 | 1,076 | 434 | 453 | 603 | 219 | 1,382 | 1,520 | 3,404 | 3,269 |
| Work in progress | - | - | - | - | - | - | - | - | - | - |
| Opening carrying amount | 984 | 1,076 | 434 | 453 | 603 | 219 | 1,382 | 1,520 | 3,404 | 3,269 |
| Year ended 30 June | | | | | | | | | | |
| Additions | 424 | 157 | - | - | - | - | - | - | 424 | 157 |
| Amortisation & impairment charge | (204) | (249) | (17) | (19) | (25) | - | (137) | (138) | (384) | (406) |
| Gains | - | - | - | - | - | 384 | - | - | - | 384 |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| Closing carrying amount | 1,204 | 984 | 417 | 434 | 578 | 603 | 1,245 | 1,382 | 3,444 | 3,404 |
| Balance as 30 June | | | | | | | | | | |
| Cost | 4,636 | 4,212 | 600 | 600 | 219 | 219 | 2,627 | 2,627 | 8,082 | 7,658 |
| Accumulated amortisation and impairment | (3,432) | (3,228) | (184) | (166) | 359 | 384 | (1,382) | (1,245) | (4,639) | (4,254) |
| | 1,204 | 984 | 417 | 434 | 578 | 603 | 1,245 | 1,382 | 3,443 | 3,404 |
| Work in progress | - | - | - | - | - | - | - | - | - | - |
| Closing carrying amount | 1,204 | 984 | 417 | 434 | 578 | 603 | 1,245 | 1,382 | 3,443 | 3,404 |

Carbon credits

Carbon credits were vested by the Council in 2011. Fair value initial recognition was \$578k. Council currently holds no credits that were purchased since 2011.

The Council considers that there is no impairment of carbon credits held, as they are expected to be fully utilised in satisfying carbon obligations from its forestry operations.

Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit for as long as the Emissions Trading Scheme is in place.

*Per statement of comprehensive income this amount is included in Gains.

23. FORESTRY ASSETS

| | ACTUAL | ACTUAL |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Balance at 1 July | 5,819 | 5,176 |
| Gains/(losses) arising from changes attributable to physical changes | 665 | 635 |
| Gains/(losses) arising from changes attributable to price changes | 359 | 8 |
| Increases due to purchases | - | - |
| Decrease due to sale | - | - |
| Decrease due to harvest | - | - |
| Balance at 30 June | 6,843 | 5,819 |

TECT All Terrain Park Forest

The TECT All Terrain Park owns 471.9 hectares of Pinus Radiata forest, 42.4 hectares of Douglas Fir, 13.7 hectares of Larch, 15.9 hectares of Redwood, 12.8 hectares of Cyprus and 2.5 hectares of mixed varieties which are at varying stages of maturity ranging from 2 to 23 years. The total value of the forestry stand is \$7.19 million of which Council owns 50%.

Waihi Beach Forest

Council owns 30.9 hectares of Pinus Radiata forest, 26.9 hectares have a maturity of 22 years and 4.0 hectares have a maturity of 21 years. June 2012 was the first date in which this forestry has been identified for valuation purposes. The total value of this forestry stand is \$671,735.

Matakana Island Forest

Council owns 126.4 hectares of Pinus Radiata forest which are at varying stages on maturity ranging from 6 to 33 years with an average age of 18.5 years. The total value of the forestry stand is \$2.46 million.

Lund Road Forest

Council owns 58.9 hectares of Pinus Radiata forest which are at varying stages on maturity ranging from 2 to 4 years with an average age of 3 years. The total value of the forestry stand is \$123,242.

Valuation assumptions

Independent registered valuer, Interpine Forestry Limited, valued Councils forestry assets as at 30 June 2017. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- a discount rate of 8.7 % (2016: 8.9%) has been used in discounting the present value of expected cash flows
- notional land rental costs have been included for freehold land
- the forest has been valued on a going concern basis and only includes the value of the existing crops on a single rotation basis
- no allowance for inflation has been provided
- costs are current average costs for established stands. Immature stands cost are compounded at 3.5% (2016: 3.0%)
- no allowance has been made for cost improvements in future operations
- log prices are based on a twelve quarter rolling average to March 2017, and
- there are no restrictions on title.

Financial risk management strategies

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

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

Securities

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

24. PAYABLES AND DEFERRED REVENUE

CURRENT PORTION

| | ACTUAL | ACTUAL |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| <i>Payables and deferred revenue under exchange transactions</i> | | |
| Trade payables and accrued expenses | 8,801 | 6,452 |
| Other income in advance | 263 | 261 |
| Sundry payables | 522 | 390 |
| Total payables and deferred revenue under exchange transactions | 9,586 | 7,103 |
| <i>Payables and deferred revenue under non-exchange transactions</i> | | |
| Rates in advance | 3,365 | 2,967 |
| Bonds and deposits | 1,137 | 859 |
| GST payables | 105 | - |
| Environment Bay of Plenty Regional Council rates | 354 | 484 |
| Total payables and deferred revenue under non-exchange transactions | 4,961 | 4,310 |
| Total current portion | 14,547 | 11,413 |

NON-CURRENT PORTION

| | ACTUAL | ACTUAL |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| <i>Payables and deferred revenue under exchange transactions</i> | | |
| Employee entitlements | 24 | 22 |
| Total payables and deferred revenue | 14,571 | 11,435 |

Trade payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade payables approximates their fair value.

25. BORROWINGS

CURRENT

| | ACTUAL | ACTUAL |
|------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Secured loans fixed | - | - |
| Secured loans floating | 45,000 | 13,000 |
| Total current secured loans | 45,000 | 13,000 |
| Total current borrowings | 45,000 | 13,000 |

25. BORROWINGS (CONTINUED)

NON-CURRENT

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Secured loans fixed | 20,000 | 20,000 |
| Secured loans floating | 85,000 | 95,000 |
| Total non-current secured loans | 105,000 | 115,000 |
| Total non-current borrowings | 105,000 | 115,000 |
| Total public debt | 150,000 | 128,000 |

Western Bay Council's secured debt of \$130.000m (2016: \$108.000m) is issued at floating rates of interest. This is converted to fixed rates through the use of interest rate swaps in line with Western Bay Council's adopted treasury policy.

Western Bay Council's secured floating debt of \$45.000m (2016: \$13.000m) is issued at a margin of 155bps, 120bps and 134bps (2016: 18bps) above bank wholesale rates BKBM.

Council loans are secured over either separate or general rates of the District.

SECURITY

Council loans are secured over either separate or general rates of the District. The following is a maturity analysis of total public debt

REPAYMENT TERMS

| | ACTUAL \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|
| | 2017 | 2016 |
| Payable no later than one year | 45,000 | 13,000 |
| <i>Weighted average interest rate</i> | 3.33% | 2.51% |
| Later than one, not later than five years | 55,000 | 70,000 |
| <i>Weighted average interest rate</i> | 3.14% | 3.54% |
| Later than five years | 50,000 | 45,000 |
| <i>Weighted average interest rate</i> | 3.36% | 4.29% |
| | 150,000 | 128,000 |

FAIR VALUES OF NON-CURRENT BORROWINGS

| | CARRYING AMOUNTS \$'000 | CARRYING AMOUNTS \$'000 | FAIR VALUES \$'000 | FAIR VALUES \$'000 |
|---------------|----------------------------|----------------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Secured loans | 105,000 | 115,000 | 104,210 | 113,916 |
| Total | 105,000 | 115,000 | 104,210 | 113,916 |

The fair values are based on cash flows discounted using a rate based on the borrowing rates.

The carrying amounts of borrowings repayable within one year approximate their fair value, as the impact of discounting is not significant.

The weighted average effective interest rates on borrowings (current and non-current) were:

INTEREST RATES

| | ACTUAL \$'000 | ACTUAL \$'000 |
|------------------------------|------------------|------------------|
| | 2017 | 2016 |
| Secured loans and debentures | 3.27% | 3.70% |

VARIATIONS FROM / CHANGES TO THE BORROWING MANAGEMENT POLICY

Western Bay Council has elected not to hedge account for its derivative financial investments.

Western Bay Council manages its borrowings in accordance with its funding and financial policies, which includes a Borrowings Management Policy.

As at 30 June 2017 Western Bay Council had \$30.0 million of undrawn cash facilities available (2016: \$30.0 million).

Debentures

Western Bay Council's secured debt of \$150.0 million (2016: \$128.0 million) is mostly issued at floating rates of interest. This is converted to fixed rates through the use of interest rate swaps in line with Western Bay Council's adopted treasury policy.

For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a 0.69% to 1.55% margin for credit risk.

Security

The overdraft facility is secured as identified in note 25. The maximum amount that can be drawn down against the overdraft facility is \$600,000 (2016: \$600,000). There are no restrictions on the use of this facility.

26. EMPLOYEE ENTITLEMENTS

| | ACTUAL | ACTUAL |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Accrued pay | 509 | 516 |
| Accrued leave and accrued entitlements | 1,778 | 1,557 |
| Sick pay | 73 | 36 |
| Retirement gratuities | 24 | 22 |
| | 2,384 | 2,131 |
| Represented by: | | |
| Current | 2,360 | 2,109 |
| Non-current | 24 | 22 |
| Total employee entitlements | 2,384 | 2,131 |

27. PROVISIONS

| | ACTUAL | ACTUAL |
|--------------------------------------|------------|------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Current portion | | |
| Landfill aftercare provision | 12 | 11 |
| Weatheright Homes Resolution Service | 300 | 300 |
| Total current portion | 312 | 311 |
| Non-current portion | | |
| Landfill aftercare provision | 334 | 346 |
| Total non-current portion | 334 | 346 |
| Total provisions | 646 | 657 |

Movements for each class of provision are noted overleaf:

27. PROVISIONS (CONTINUED)

| | LANDFILL \$'000 | WEATHERTIGHT HOMES \$'000 | TOTAL \$'000 |
|--------------------------------|--------------------|---------------------------------|-----------------|
| Balance at 1 July 2015 | 367 | 300 | 667 |
| Additional provisions | - | - | - |
| Amounts used | (10) | - | (10) |
| Balance at 30 June 2016 | 357 | 300 | 657 |
| 2016 | | | |
| Balance at 1 July 2016 | 357 | 300 | 657 |
| Additional provisions | - | - | - |
| Amounts used | (11) | - | (11) |
| Balance at 30 June 2017 | 346 | 300 | 646 |

Landfill aftercare costs

Western Bay Council gained resource consents to operate the Te Puke and Athenree landfills. Western Bay Council has a responsibility under the resource consents for closure of the landfills and to provide ongoing maintenance and monitoring of the landfills after the sites are closed. The Te Puke landfill was closed in 1999 and the Athenree landfill in 2003.

Western Bay Council's responsibilities include:

- closure costs
- final cover application and investigation
- incremental drainage control features
- facilities for leachate collection and monitoring
- facilities for water quality monitoring.

Post closure costs include:

- treatment and monitoring of leachate
- groundwater surface monitoring
- implementation of remedial measures as needed for cover and control systems
- on-going life maintenance of drainage systems, final cover and vegetation.

The estimated remaining liability for closure and post-closure of Athenree is \$0.34 (2016: \$0.36 million) and for post-closure of Te Puke of \$0.26 million (2016: \$0.27 million) over the remaining life (Athenree 18 years, Te Puke 15 years) of the resource consents. This liability has been discounted back to a current value of \$0.35m (2016: \$0.35 million) using a discount rate of 7% (2016: 7%).

Weatheright Homes Resolution Services

Note 35 from page 173 provides additional information regarding this provision.

EQUITY

28. RETAINED EARNINGS

| | ACTUAL | ACTUAL |
|---|-----------------|-----------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Opening balance | 754,269 | 710,230 |
| Surplus / (deficit) | 25,587 | 47,733 |
| Other surplus /(deficit) through comprehensive income | 7,944 | 31 |
| Reclassification from prior year | - | 48 |
| Reclassification of reserves to equity | - | - |
| | 787,800 | 758,042 |
| Transfers to: | | |
| Restricted reserves | (16) | (6) |
| Council created reserves | (22,056) | (23,861) |
| | (22,072) | (23,866) |
| Transfers from: | | |
| Restricted reserves | 11 | - |
| Council created reserves | 18,446 | 20,093 |
| Asset revaluation reserve | - | - |
| | 18,457 | 20,093 |
| Closing balance | 784,184 | 754,269 |

29. RESTRICTED RESERVES

| | ACTUAL | ACTUAL |
|------------------------|------------|------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Opening balance | 261 | 255 |
| Transfers to: | | |
| Accumulated funds | (11) | - |
| Transfers from: | | |
| Accumulated funds | 16 | 6 |
| Closing balance | 266 | 261 |

30. COUNCIL-CREATED RESERVES

| | ACTUAL | ACTUAL |
|------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| Opening balance | 25,946 | 22,178 |
| Transfers to: | | |
| Accumulated funds | (18,446) | (20,093) |
| Transfers from: | | |
| Accumulated funds | 22,056 | 23,861 |
| Closing balance | 29,556 | 25,946 |

For a breakdown of Council created reserves see note 32 on page 164.

31. GENERAL ASSET REVALUATION RESERVE

| | ACTUAL \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|
| | 2017 | 2016 |
| Opening balance | 341,279 | 341,242 |
| Change in asset value | - | - |
| Transfer to retained earnings on disposal of property | - | - |
| Reclassification of reserves to equity | - | 37 |
| Closing balance | 341,279 | 341,279 |
| Comprising: | | |
| Buildings | 175 | 175 |
| Water supply | 28,014 | 28,014 |
| Roading | 214,798 | 214,798 |
| Wastewater | 51,153 | 51,153 |
| Stormwater | 42,215 | 42,215 |
| Coastal marine structures | 3,896 | 3,896 |
| Library books | 810 | 810 |
| Improvements | 218 | 218 |
| Total asset revaluation reserve | 341,279 | 341,279 |

Asset revaluation reserves

This covers all assets that are revalued except for investment properties.

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Infrastructural: | | |
| Water supply | 28,014 | 28,014 |
| Road Reserves | 68,500 | 68,500 |
| Road Surface | 135,952 | 135,952 |
| Other Roding | 10,345 | 10,345 |
| Wastewater | 51,153 | 51,153 |
| Stormwater | 42,215 | 42,215 |
| Operational assets: | | |
| Buildings | 175 | 175 |
| Coastal marine structures | 3,896 | 3,896 |
| Library books | 810 | 810 |
| Improvements | 218 | 218 |
| Total general asset revaluation reserve | 341,279 | 341,279 |

32. RESERVE FUNDS

| RESERVE NAME | PURPOSE | ACTIVITY | OPENING BALANCE 1 JULY 2016 | DEPOSITS TO FUND TO 30 JUNE 2017 | WITHDRAWALS FROM FUND TO 30 JUNE 2017 | CLOSING BALANCE 30 JUNE 2017 |
|---|--|------------------------|--------------------------------|--|---|------------------------------------|
| Restricted Reserves | Restricted reserves have been established from public bequests and are only able to be spent in the manner specified by the donor | | | | | |
| Hunter Estate | Established from bequest made in the late 1980s. The funds can only be spent on capital expenditure in Katikati as detailed in our Reserve Management Plans. | Recreation and Leisure | 33,278 | 1,997 | - | 35,275 |
| l'Anson Park Trust | The accumulated interest is available for both operational and capital expenditure undertaken in the Te Puna area. | Recreation and Leisure | 8,464 | 508 | - | 8,972 |
| Hastie Bequest | The principle settlement amount of \$100,000 is maintained and the interest can be used for Te Puke area library purchases. | Communities | 204,721 | 12,283 | (10,553) | 206,451 |
| CE Miller Estate | The interest on the capital of \$9,763 is available for the beautification of Katikati. | Recreation and Leisure | 14,247 | 855 | - | 15,102 |
| Total Restricted Reserves | | | 260,710 | 15,643 | (10,553) | 265,800 |
| Asset Replacement Reserves | | | | | | |
| Asset Replacement Reserves - general approach | Depreciation charged is transferred to the specified reserves detailed below and accumulated so that the interest earned on the reserves capital is available for asset replacement/renewals. The replacement/renewals programme is based on the renewals planned in our asset management plans. The reserves are not held as cash reserves. | | | | | |
| Asset Replacement - computers | | Support Services | 583,224 | 507,820 | (405,914) | 685,130 |
| District Reserves | | Support Services | 2,202,319 | 738,591 | (431,067) | 2,509,843 |
| Huharua Sub Regional Park | | Recreation and Leisure | 130,064 | 25,598 | - | 155,662 |
| TECT All Terrain Park | | Recreation and Leisure | 554,180 | 107,527 | - | 661,707 |
| Asset Replacement - office buildings | | Recreation and Leisure | 1,253,158 | 292,344 | (158,641) | 1,386,860 |
| Asset Replacement - vehicles | | Support Services | 90,997 | 377,845 | (474,860) | (6,018) |
| Asset Replacement - civil defence vehicle | | Communities | 156,507 | - | - | 156,507 |
| Asset Replacement - telemetry | | Communities | 72,683 | 4,361 | - | 77,044 |
| Asset Replacement - swimming pool | | Recreation and Leisure | 150,012 | 26,960 | - | 176,972 |
| Asset Replacement - library books | | Communities | 2,039,944 | 520,624 | (239,554) | 2,321,014 |
| Asset Replacement - library computers | | Communities | 1,566 | - | - | 1,566 |
| Asset Replacement - Cemetery | | Communities | 170,316 | 30,156 | - | 200,472 |
| Asset Replacement - coast marine | | Recreation and Leisure | 217,557 | 13,053 | (203,551) | 27,060 |
| Total Asset Replacement Reserves | | | 7,622,526 | 2,644,880 | (1,913,587) | 8,353,819 |

| RESERVE NAME | PURPOSE | ACTIVITY | OPENING BALANCE 1 JULY 2015 | DEPOSITS TO FUND TO 30 JUNE 2016 | WITHDRAWALS FROM FUND TO 30 JUNE 2016 | CLOSING BALANCE 30 JUNE 2016 |
|---|--|------------------------|--------------------------------|--|---|------------------------------------|
| Restricted Reserves | Restricted reserves have been established from public bequests and are only able to be spent in the manner specified by the donor | | | | | |
| Hunter Estate | Established from bequest made in the late 1980s. The funds can only be spent on capital expenditure in Katikati as detailed in our Reserve Management Plans. | Recreation and Leisure | 31,543 | 1,735 | - | 33,278 |
| l'Anson Park Trust | The accumulated interest is available for both operational and capital expenditure undertaken in the Te Puna area. | Recreation and Leisure | 5,073 | 3,391 | - | 8,464 |
| Hastie Bequest | The principle settlement amount of \$100,000 is maintained and the interest can be used for Te Puke area library purchases. | Communities | 204,721 | - | - | 204,721 |
| CE Miller Estate | The interest on the capital of \$9,763 is available for the beautification of Katikati. | Recreation and Leisure | 13,484 | 763 | - | 14,247 |
| Total Restricted Reserves | | | 254,821 | 5,889 | - | 260,710 |
| Asset Replacement Reserves | | | | | | |
| Asset Replacement Reserves - general approach | Depreciation charged is transferred to the specified reserves detailed below and accumulated so that the interest earned on the reserves capital is available for asset replacement/renewals. The replacement/renewals programme is based on the renewals planned in our asset management plans. The reserves are not held as cash reserves. | | | | | |
| Asset Replacement - computers | | Support Services | 423,037 | 512,716 | (352,530) | 583,224 |
| District Reserves | | Support Services | 1,856,304 | 562,091 | (216,076) | 2,202,319 |
| Huharua Sub Regional Park | | Recreation and Leisure | 106,588 | 23,476 | - | 130,064 |
| TECT All Terrain Park | | Recreation and Leisure | 482,258 | 99,398 | (27,476) | 554,180 |
| Asset Replacement - office buildings | | Recreation and Leisure | 734,937 | 544,121 | (25,901) | 1,253,158 |
| Asset Replacement - vehicles | | Support Services | 347,493 | 367,817 | (624,314) | 90,997 |
| Asset Replacement - civil defence vehicle | | Communities | 144,018 | 12,489 | - | 156,507 |
| Asset Replacement - telemetry | | Communities | 68,894 | 3,789 | - | 72,683 |
| Asset Replacement - swimming pool | | Recreation and Leisure | 125,175 | 24,837 | - | 150,012 |
| Asset Replacement - library books | | Communities | 1,707,501 | 332,443 | - | 2,039,944 |
| Asset Replacement - library computers | | Communities | 1,566 | - | - | 1,566 |
| Asset Replacement - Cemetery | | Communities | 142,539 | 27,777 | - | 170,316 |
| Asset Replacement - coast marine | | Recreation and Leisure | 206,215 | 140,495 | (129,153) | 217,557 |
| Total Asset Replacement Reserves | | | 6,346,526 | 2,651,449 | (1,375,449) | 7,622,526 |

| RESERVE NAME | PURPOSE | ACTIVITY | OPENING BALANCE 1 JULY 2016 | DEPOSITS TO FUND TO 30 JUNE 2017 | WITHDRAWALS FROM FUND TO 30 JUNE 2017 | CLOSING BALANCE 30 JUNE 2017 |
|---|---|-------------|--------------------------------|-------------------------------------|--|---------------------------------|
| Community Board Reserves | | | | | | |
| Community Boards - general approach | We have five community boards but not all of our District is covered by these boards. The Community Board rate is a fixed charge for their community board area of benefit. The level of rating is determined based on the expected expenditure of the Board and may vary between Boards. Any unspent money at year end is transferred to the respective community board reserve account. Reserve funds can only be used for capital, one-off, or non-recurring expenditure items or grants | | | | | |
| Waihi Beach Community Board | | Communities | 247,593 | 28,631 | | 276,225 |
| Katikati Community Board | | Communities | 120,070 | 19,509 | (22,250) | 117,329 |
| Omokoroa Community Board | | Communities | 330,353 | 33,911 | (66,300) | 297,964 |
| Te Puke Community Board | | Communities | 147,464 | 9,544 | (32,816) | 124,192 |
| Maketu Community Board | | Communities | 154,564 | 34,388 | (39,542) | 149,410 |
| Total Community Board Reserves | | | 1,000,045 | 125,983 | (160,908) | 965,120 |
| Other Community Reserves | | | | | | |
| Other community reserves - general approach | These reserves have been established to accumulate sufficient funds to allow for planned expenditure (per the Long Term Plan) in particular areas, often for town centre development. The funding is provided by way of targeted rates. | | | | | |
| Katikati Development Fund | Set up several years ago in anticipation of the Katikati By-pass impacts on the town and to provide funding for main street improvements as well as encourage business development in Katikati. | | 12,542 | 753 | - | 13,295 |
| Waihi Beach Town Centre Development | For town centre development. | | (13,074) | - | (76) | (13,150) |
| Katikati Town Centre Development | For town centre development scheduled to begin in as and when opportunities arise. | | 67,235 | 250,456 | - | 317,691 |
| Omokoroa Town Centre Development | For town centre development scheduled to begin in as and when opportunities arise. | | 32,069 | 1,924 | - | 33,993 |
| Te Puke Town Centre Development | The development of Te Puke's town centre is currently underway and is planned to be completed in 2013. | | 634,310 | 37,918 | - | 672,228 |
| Pukehina Development | Pukehina ratepayers are paying an annual rate of \$20 as a contribution towards a future sewerage scheme for the area. | | 540,762 | 60,346 | - | 601,108 |
| Total Other Community Reserves | | | 1,273,844 | 351,396 | (76) | 1,625,164 |
| Total Community Board and Other Reserves | | | 2,273,889 | 477,379 | (160,984) | 2,590,284 |

| RESERVE NAME | PURPOSE | ACTIVITY | OPENING BALANCE 1 JULY 2015 | DEPOSITS TO FUND TO 30 JUNE 2016 | WITHDRAWALS FROM FUND TO 30 JUNE 2016 | CLOSING BALANCE 30 JUNE 2016 |
|---|---|-------------|--------------------------------|--|---|------------------------------------|
| Community Board Reserves | | | | | | |
| Community Boards - general approach | We have five community boards but not all of our District is covered by these boards. The Community Board rate is a fixed charge for their community board area of benefit. The level of rating is determined based on the expected expenditure of the Board and may vary between Boards. Any unspent money at year end is transferred to the respective community board reserve account. Reserve funds can only be used for capital, one-off, or non-recurring expenditure items or grants | | | | | |
| Waihi Beach Community Board | | Communities | 259,285 | 10,599 | (22,291) | 247,593 |
| Katikati Community Board | | Communities | 111,556 | 14,719 | (6,204) | 120,070 |
| Omokoroa Community Board | | Communities | 309,199 | 21,154 | - | 330,353 |
| Te Puke Community Board | | Communities | 136,430 | 18,723 | (7,689) | 147,464 |
| Maketu Community Board | | Communities | 135,076 | 19,488 | - | 154,564 |
| Total Community Board Reserves | | | 951,546 | 84,683 | (36,184) | 1,000,044 |
| Other Community Reserves | | | | | | |
| Other community reserves - general approach | These reserves have been established to accumulate sufficient funds to allow for planned expenditure (per the Long Term Plan) in particular areas, often for town centre development. The funding is provided by way of targeted rates. | | | | | |
| Katikati Development Fund | Set up several years ago in anticipation of the Katikati By-pass impacts on the town and to provide funding for main street improvements as well as encourage business development in Katikati. | | 11,888 | 654 | - | 12,542 |
| Waihi Beach Town Centre Development | For town centre development. | | 24,225 | - | (37,299) | (13,074) |
| Katikati Town Centre Development | For town centre development scheduled to begin in as and when opportunities arise. | | 461,657 | 357,750 | (752,172) | 67,235 |
| Omokoroa Town Centre Development | For town centre development scheduled to begin in as and when opportunities arise. | | 30,737 | 1,332 | - | 32,069 |
| Te Puke Town Centre Development | The development of Te Puke's town centre is currently underway and is planned to be completed in 2013. | | 554,054 | 80,256 | - | 634,310 |
| Pukehina Development | Pukehina ratepayers are paying an annual rate of \$20 as a contribution towards a future sewerage scheme for the area. | | 486,125 | 54,637 | - | 540,762 |
| Total Other Community Reserves | | | 1,568,686 | 494,629 | (789,471) | 1,273,844 |
| Total Community Board and Other Reserves | | | 2,520,232 | 579,312 | (825,655) | 2,273,889 |

| RESERVE NAME | PURPOSE | ACTIVITY | OPENING BALANCE 1 JULY 2016 | DEPOSITS TO FUND TO 30 JUNE 2017 | WITHDRAWALS FROM FUND TO 30 JUNE 2017 | CLOSING BALANCE 30 JUNE 2017 |
|--|---|------------------------|--------------------------------|--|---|------------------------------------|
| Financial Contributions Reserves | | | | | | |
| Financial contributions reserves - general | These are specific reserves that must be applied for a particular purpose and under specific criteria or qualifying conditions. These reserves are not cash reserves. | | | | | |
| Ecological financial contributions - capital | Financial contributions split into capital and operational components that are to be spent based on Council's annually approved ecological education programme. Capital expenditure must be by Council resolution and satisfy criteria for privately owned land. Operational expenditure is based on the prior year's closing operations balance available. | Natural Environment | 377,627 | - | (56,388) | 321,239 |
| Ecological financial contributions - operational | As above | Natural Environment | 179,697 | - | (100,411) | 79,286 |
| Parks and Community financial contributions | To provide for teaching and public education/awareness raising purposes. | Recreation and Leisure | (2,398,812) | 2,635,226 | (578,636) | (342,222) |
| Parking space financial contributions | Provided from financial contributions from developers in the urban areas where they cannot provide public car parks themselves. | Regulatory | 50,105 | - | - | 50,105 |
| Lynley Park wastewater remedial | Established from money received from Durham Properties Limited, to be used to fund any infrastructure failures in the Lynley Park Development. | Wastewater | 348,467 | - | - | 348,467 |
| Total Financial Contribution Reserves | | | (1,442,915) | 2,635,226 | (735,435) | 456,876 |
| General Reserves | Established reserves for specific purposes | | | | | |
| Community Discretionary | For any under spent expenditure at year end. | Communities | 14,386 | - | - | 14,386 |
| General Rate | For the accumulation of any net surplus arising from accounts that are general rate funded each year. Deficits are not permitted in this reserve. | All | 5,427,293 | 972,781 | (1,244,090) | 5,155,984 |
| Environmental Protection Rate | For the accumulation of any net surplus arising from the Environmental Protection Rate account Deficits are not permitted in this reserve. | All | 2,015,123 | 188,048 | (11,729) | 2,191,442 |
| Traffic and parking general | Holds the percentage balance of Council-issued infringement notice fines that were not payable to the Government as part of the legislation during the 1980s. Correspondence has not resolved whether the balance is still payable to the Government. No cash is held. | Regulatory | 165,624 | 9,937 | - | 175,561 |
| Total General Reserves | | | 7,622,427 | 1,170,766 | (1,255,819) | 7,537,373 |

| RESERVE NAME | PURPOSE | ACTIVITY | OPENING BALANCE 1 JULY 2015 | DEPOSITS TO FUND TO 30 JUNE 2016 | WITHDRAWALS FROM FUND TO 30 JUNE 2016 | CLOSING BALANCE 30 JUNE 2016 |
|--|---|------------------------|--------------------------------|--|---|------------------------------------|
| Financial Contributions Reserves | | | | | | |
| Financial contributions reserves - general | These are specific reserves that must be applied for a particular purpose and under specific criteria or qualifying conditions. These reserves are not cash reserves. | | | | | |
| Ecological financial contributions - capital | Financial contributions split into capital and operational components that are to be spent based on Council's annually approved ecological education programme. Capital expenditure must be by Council resolution and satisfy criteria for privately owned land. Operational expenditure is based on the prior year's closing operations balance available. | Natural Environment | 445,256 | - | (67,629) | 377,627 |
| Ecological financial contributions - operational | As above | Natural Environment | 90,115 | 152,877 | (63,295) | 179,697 |
| Parks and Community financial contributions | To provide for teaching and public education/awareness raising purposes. | Recreation and Leisure | (2,951,847) | 1,728,031 | (1,174,996) | (2,398,812) |
| Parking space financial contributions | Provided from financial contributions from developers in the urban areas where they cannot provide public car parks themselves. | Regulatory | 50,105 | - | - | 50,105 |
| Lynley Park wastewater remedial | Established from money received from Durham Properties Limited, to be used to fund any infrastructure failures in the Lynley Park Development. | Wastewater | 330,300 | 18,167 | - | 348,467 |
| Total Financial Contribution Reserves | | | (2,036,070) | 1,899,075 | (1,305,920) | (1,442,915) |
| General Reserves | Established reserves for specific purposes | | | | | |
| Community Discretionary | For any under spent expenditure at year end. | Communities | 14,386 | - | - | 14,386 |
| General Rate | For the accumulation of any net surplus arising from accounts that are general rate funded each year. Deficits are not permitted in this reserve. | All | 3,075,658 | 3,304,370 | (952,734) | 5,427,293 |
| Environmental Protection Rate | For the accumulation of any net surplus arising from the Environmental Protection Rate account Deficits are not permitted in this reserve. | All | 2,529,867 | 3,823 | (518,567) | 2,015,123 |
| Traffic and parking general | Holds the percentage balance of Council-issued infringement notice fines that were not payable to the Government as part of the legislation during the 1980s. Correspondence has not resolved whether the balance is still payable to the Government. No cash is held. | Regulatory | 148,875 | 16,749 | - | 165,624 |
| Total General Reserves | | | 5,768,786 | 3,324,942 | (1,471,301) | 7,622,427 |

| RESERVE NAME | PURPOSE | ACTIVITY | OPENING BALANCE 1 JULY 2016 | DEPOSITS TO FUND TO 30 JUNE 2017 | WITHDRAWALS FROM FUND TO 30 JUNE 2017 | CLOSING BALANCE 30 JUNE 2017 |
|---------------------------------------|--|-------------------------|--------------------------------|--|---|------------------------------------|
| Special Reserves | | | | | | |
| Disaster Contingency | Council's infrastructure self-insurance fund provided from the sale of power company shares in the 1990s. Council's policy is to self insure based on the premise that commercial infrastructure insurance is not available. Assumes New Zealand Transport Agency (NZTA) would provide 93% of the funds for roading replacement and the Government would provide 50% on the failure of any other infrastructural assets. Major infrastructure, apart from district roading is geographically dispersed throughout our District (primarily stand-alone sewerage and water schemes) and the likelihood of failure of this entire infrastructure at once is assessed as very low. | Communities | 7,813,174 | 468,790 | - | 8,281,964 |
| Matakana Island Trust | Reserves accumulated several years ago from the appeal against the Katikati Reserve extension across to Matakana Island. The funds are available to be used for improvements to the Matakana Island community. | Planning for the future | 258,803 | - | - | 258,803 |
| Corporate Property and Assets | For any surplus arising from the corporate property/land purchase account. | Support Services | 1,400,857 | 173,811 | (118,722) | 1,455,945 |
| Civil Defence Contingency | We expect this balance to be maintained at \$20,000 being our costs for a specific civil defence emergency. | Communities | (1) | 1 | - | - |
| Weathertight Homes | | Regulatory | - | 200,000 | - | 200,000 |
| Panepane Point Development Reserve | | | 397,564 | 23,854 | - | 421,418 |
| Total Special Reserves | | | 9,870,397 | 866,455 | (118,722) | 10,618,130 |
| Total Council Created Reserves | | | 25,946,325 | 7,794,705 | (4,184,547) | 29,556,483 |
| Total All Council Reserves | | | 26,207,034 | 7,810,348 | (4,195,100) | 29,822,282 |

| RESERVE NAME | PURPOSE | ACTIVITY | OPENING BALANCE 1 JULY 2015 | DEPOSITS TO FUND TO 30 JUNE 2016 | WITHDRAWALS FROM FUND TO 30 JUNE 2016 | CLOSING BALANCE 30 JUNE 2016 |
|---------------------------------------|--|-------------------------|--------------------------------|--|---|------------------------------------|
| Special Reserves | | | | | | |
| Disaster Contingency | Council's infrastructure self-insurance fund provided from the sale of power company shares in the 1990s. Council's policy is to self insure based on the premise that commercial infrastructure insurance is not available. Assumes New Zealand Transport Agency (NZTA) would provide 93% of the funds for roading replacement and the Government would provide 50% on the failure of any other infrastructural assets. Major infrastructure, apart from district roading is geographically dispersed throughout our District (primarily stand-alone sewerage and water schemes) and the likelihood of failure of this entire infrastructure at once is assessed as very low. | Communities | 7,394,611 | 418,563 | - | 7,813,174 |
| Matakana Island Trust | Reserves accumulated several years ago from the appeal against the Katikati Reserve extension across to Matakana Island. The funds are available to be used for improvements to the Matakana Island community. | Planning for the future | 258,803 | - | - | 258,803 |
| Corporate Property and Assets | For any surplus arising from the corporate property/land purchase account. | Support Services | 1,554,902 | 82,336 | (236,380) | 1,400,857 |
| Civil Defence Contingency | We expect this balance to be maintained at \$20,000 being our costs for a specific civil defence emergency. | Communities | - | - | - | (i) |
| Weathertight Homes | | Regulatory | (6,201) | 6,201 | - | - |
| Panepane Point Development Reserve | | | 376,838 | 20,726 | - | 397,564 |
| Total Special Reserves | | | 9,578,952 | 527,825 | (236,380) | 9,870,397 |
| Total Council Created Reserves | | | 22,178,425 | 8,982,604 | (5,214,704) | 25,946,325 |
| Total All Council Reserves | | | 22,433,246 | 8,988,492 | (5,214,704) | 26,207,034 |

33. RECONCILIATION OF NET SURPLUS / (DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Net surplus / (deficit) | 25,587 | 47,733 |
| Add/(less) non-cash items | | |
| Depreciation | 19,052 | 19,992 |
| Amortisation | 360 | 396 |
| Vested assets | (3,658) | (42,408) |
| Unrealised hedging movement | (5,142) | 4,851 |
| Gains | (1,542) | (1,079) |
| Share of associate surplus/deficit | 205 | 25 |
| Add/(less) movements in working capital items: | | |
| Movement in prepayments | (372) | (101) |
| Movement in non-current assets held for sale | (420) | 497 |
| Movement in accounts receivable | (878) | 1,412 |
| Movement in accounts payable | 2,854 | (1,777) |
| Movement in provisions | (894) | (10) |
| Movement in employee entitlements | 261 | 388 |
| Add/(less) items classified as investing activities | | |
| Loss on sale of assets | 818 | 124 |
| Revaluation of shares | (76) | (31) |
| Net cash inflow (outflow) from operating activities | 36,155 | 30,012 |

34. CAPITAL COMMITMENTS AND OPERATING LEASES

Capital commitments represent capital expenditure contracted at balance date but not yet incurred.

| | ACTUAL \$'000 | ACTUAL \$'000 |
|----------------------------------|------------------|------------------|
| | 2017 | 2016 |
| Operational | | |
| Land | - | - |
| Building | 41 | 452 |
| Coastal Marine | 224 | 507 |
| Infrastructure | | |
| Water | 1,313 | 850 |
| Wastewater | 2,689 | - |
| Stormwater | 248 | - |
| Roading | 19,828 | 23,522 |
| Restricted | | |
| Building | - | - |
| Total capital commitments | 24,343 | 25,331 |

34. CAPITAL COMMITMENTS AND OPERATING LEASES (CONTINUED)

Operating leases as lessee

Western Bay Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as noted overleaf:

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Not later than one year | 107 | 154 |
| Later than one year and not later than two years | 103 | 124 |
| Later than two years and not later than five years | 133 | 198 |
| Later than five years | 929 | 952 |
| Total non-cancellable operating leases | 1,272 | 1,428 |

Leases can be renewed at Western Bay Council's option, with rents set by reference to current market rates for items of equivalent age and condition.

There are no restrictions placed on Western Bay Council by any of the leasing arrangements.

No contingent rents have been recognised in the statement of comprehensive income during the period.

Other Commitments - roading network and utilities maintenance contracts

In November 2014, Western Bay Council entered into a seven year One Network Maintenance Contract with Opus International Consultants Limited to provide capital and maintenance work to the District's roading network. The value of the contract is \$75.99 million and as at 30 June 2017 \$48.38 million remained committed on this contract for the remaining 52 months, including estimated escalations in the contract.

In July 2015, Western Bay Council entered into a four year contract with Veolia Water Services (ANZ) PTY Ltd for the provision of maintenance and professional services to the utilities network. The value of the contract as of 1 July 2015 is \$17.24 million and as at 30 June 2017 \$8.62 million remained committed on this contract for the remaining 24 months, including estimated escalations in the contract.

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

35. CONTINGENCIES

Contingent liabilities

| | ACTUAL \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|
| | 2017 | 2016 |
| Building Act claims | 50 | 50 |
| Weathertight Homes Resolution Service (WHRS) | 400 | 600 |
| Local Authority Protection Programme Disaster Fund (LAPP) | 380 | 380 |
| Goldenlight Enterprises Ltd | - | 600 |
| Total contingent liabilities | 830 | 1,630 |

Other legal proceedings

Building Act claims

The Building Act 2004 imposes certain obligations and liabilities on local authorities in respect to the issue of building consents and inspection of work done. At the date of this report, there were no matters under the Act indicating potential liabilities (2016: \$Nil). The \$50,000 disclosed relates to the expected cost to Western Bay of Plenty District Council. The balance is expected to be covered through insurance.

Unquantified claims

There were no additional claims lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2017 (2016: three 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 8 claims that are still open as at balance date (2016: 12).

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

The costs of any successful claims against Western Bay Council with a claim date of 30 June 2009 or earlier are expected to be substantially covered under Western Bay Council'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 Council. As a result \$400,000 has been recognised as a contingent liability.

35. CONTINGENCIES (CONTINUED)

Carter Holt Harvey Ltd

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Western Bay of Plenty District Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 16 of which are located within the Western Bay of Plenty District. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

Goldenlight Enterprises Ltd

During 2015/16 a property owner filed a claim for up to \$600,000 for the failure of a private right of way within a subdivision consented by Western Bay of Plenty District Council in 1992. This claim was resolved during the year.

New Zealand Local Government Funding Agency (LGFA)

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

As at 30 June 2017 there were 31 (2016: 31) shareholders made up of 30 local authorities and the Crown.

All 30 local authority shareholders have uncalled capital equal to their individual shareholding and totalling \$2,500 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 \$7,946 (2016: \$5,376m) at 30 June.

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

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

Local Authority Protection Programme Disaster Fund (LAPP)

Western Bay of Plenty District 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 earthquake 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 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 Western Bay of Plenty District Council.

36. PRIOR YEAR ADJUSTMENTS

There were no prior year adjustments.

37. RELATED PARTY TRANSACTIONS

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

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

Transactions with Councillors and key management personnel compensation

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Councillors | | |
| Full-time equivalent members | 17 | 12 |
| Salaries and other short term employee benefits | 505 | 497 |
| Senior Management Team, including the Chief Executive | | |
| Full-time equivalent members | 5 | 5 |
| Salaries and other short term employee benefits | 1,275 | 1,073 |
| Total senior management remuneration | 1,780 | 1,570 |

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

The reason for higher remuneration in 2017 relates to the market value of vehicle benefits (not included in 2016).

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

An analysis of Councillor remuneration and further information on Chief Executive remuneration is provided in Note 38.

Council controlled organisation

Bay of Plenty Local Authority Shared Services Limited (BOPLASS Limited)

The Council controlled organisation was formally established in January 2008. The company was set up by the eight local authorities in the Bay of Plenty region to foster collaboration between councils in the delivery of services particularly back office or support services. Gisborne District Council joined BOPLASS Limited during the 2009/10 financial year.

As a Council Controlled Organisation, Bay of Plenty Local Authority Shared Services Limited (BOPLASS Limited) is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent. The company is governed by a Board of Directors being the Chief Executives of the constituent local authorities.

Financial performance for the year ended 30 June 2017

| ACTUAL \$'000 | | ACTUAL \$'000 |
|------------------|------------------------------|------------------|
| 2015/16 | | 2016/17 |
| 1,524 | Revenue | 1,742 |
| (1,535) | Expenditure | (1,740) |
| (11) | Surplus / (deficit) | 2 |
| (11) | Net surplus / (deficit) year | 2 |
| 1,060 | Total assets | 995 |
| (1,012) | Total liabilities | 945 |

Statement of intent and performance

The company has complied with Section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2017/18 and associated budget formally adopted by the directors at the meeting held on 14 June 2017.

From page 176 - 178 is a report of performance against targets set in the Statement of Intent for 2016/17.

PERFORMANCE TARGETS FOR 2016-2017

| OUTCOMES | MEASURE | RESULT |
|--|--|---|
| Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils. | A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils. | <p>Joint procurement initiatives undertaken for:</p> <ul style="list-style-type: none"> • Health and Safety Training Preferred Supplier Vertical - Horizonz NZ were appointed as the preferential Health and Safety training supplier for the BOPLASS and Waikato LASS councils. Access to improved and consistent levels of service achieved at significantly reduced costs through a collaborative agreement covering both LASS. |
| Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils (continued). | A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils. | <ul style="list-style-type: none"> • Security Services - BOPLASS investigated the opportunity for a consolidated security contract across multiple councils - covering manpower services, alarm systems, CCTV. It was determined that this was not feasible given local requirements and little benefit would be derived from consolidating the services. Geographical grouping of councils for security service contracts was recommended. • Health & Safety Elected Members Training - Collective Health and Safety at Work Act 2015 training was completed for elected members of BOPLASS and Waikato LASS councils, with BOPLASS engaging a qualified presenter from Simpson Grierson at a fraction of the cost of councils arranging individual training. • Additional Infrastructure Insurance - Representing a collective group of 39 councils in negotiations for placement of councils' infrastructure insurance in the London markets significant leverage was obtained and, despite increased limits and higher insured values for the councils, a 16% overall reduction of premiums was achieved for BOPLASS councils. In anticipation of future changes to the current 60/40 natural hazard arrangements, capacity for further coverage was also secured through the London markets. BOPLASS has been managing a project to insure 100% of the first \$10M of any natural hazard loss to councils' infrastructure to reduce potential exposure/shortfall of the on-guaranteed 60% portion provided from Central Government. The 2016/17 programme limit has been increased with an additional \$250M layer negotiated. The extra layer provides councils with a total loss limit of \$500M, with a negotiated premium achieved at a lower cost than the 2015 loss limit of \$140M. • GIS Training - NSG was engaged by BOPLASS to provide collaborative training on Geocortex Workflow for BOPLASS councils GIS staff. Significant cost savings and inter-council information sharing. • EMA Membership - In conjunction with Waikato LASS BOPLASS investigated the opportunity for councils' to participate in discounted joint membership with Employers and Manufacturers Association (EMA). Following fluctuating and diminishing offers from EMA during negotiations, the LASS and councils elected not to enter into an agreement. • Environmental Insurance / Gradual Contamination Insurance - BOPLASS project to investigate environmental impairment insurance to cover councils for: gradual pollution, most types of pollutant (including asbestos), 1st 3rd party loss and restorative/clean-up costs. • Event Management Liabilities Legal Opinion - In conjunction with Waikato LASS BOPLASS sought legal opinion from Tompkins Wake Lawyers on event engagement liabilities. Collaboration in this procurement delivered significant savings and provided for consistent standards across all BOP and Waikato councils. |

PERFORMANCE TARGETS FOR 2016-2017

| OUTCOMES | MEASURE | RESULT |
|--|---|---|
| Provide support to BOPLASS councils that are managing or investigating shared services projects. | Quarterly satisfaction reviews with participating councils. Resource assignment measured from project job tracking. | <ul style="list-style-type: none"> • Aerial Photography 2016-17 - Two tenders for BOPLASS councils' specific areas and requirements within the BOPLASS regional flying calendar were awarded to AAM NZ Ltd. The collaborative approach has provided further savings in the cost of capture and production of imagery. • Health, Safety & Risk Management Software - Working collectively with Waikato LASS councils, BOPLASS was able to leverage improved services from Vault and provide for discounted pricing for Eastern Bay councils joining the agreement. <p>0.25 FTE provided through engagement of a contractor and IT Manager's time committed directly to individual council support - measured by fortnightly timesheets. Support provided to councils in development of the following services:</p> <ul style="list-style-type: none"> • Solid Waste Services - Following completion of a solid waste benchmarking survey by all BOPLASS councils, several potential areas for greater collaboration were identified for further analysis. Eunomia Research have been engaged to review the current state of solid waste services across the BOPLASS councils, identify collaboration currently being explored or undertaken, and recommend further areas for collaboration. • Information Services Strategic Plan (ISSP) - Working with MWLASS, reviews of the development of other LASS Regional ISSPs and business cases has been undertaken by BOPLASS councils through a series of workshops. Able to leverage off work being undertaken in other regions. • Historical Aerial Imagery - Working in conjunction with the Local Government Geospatial Alliance (LGGA), a portal has been developed specifically for the storage and delivery of BOPLASS councils' historical aerial imagery. The portal www.retrolens.nz facilitates taking historical imagery directly from LINZ and converting it for consumption by councils for publication. By collaborating with other regions a valuable national resource for the councils and the public has been created at a fraction of the cost of individual council services. • Contractor Health and Safety Prequalification - BOPLASS - and Waikato LASS have worked together to develop an online contractor Health and Safety prequalification scheme. The prequalification portal provides a simple and costeffective process for contractors to engage with councils while also standardising and simplifying contractor management for council staff. The service is now being rolled out nationally. • Inter-Council Health and Safety Auditing - Establishment of cross-council auditing processes to provide councils with an external viewpoint on their Health and Safety management and provide council PCBU Officers, CEOs and managers with an alternative opinion and verification through auditing, without the expense of having to engage external consultants. • Audit and Risk Insights Panel Sessions - BOPLASS coordinated workshops with senior leaders of the KPMG advisory team to share their insights and experience in the areas of health and safety, procurement and risk management based upon their learnings across the greater group of councils and other clients. Workshops provided at no cost to councils and included inter-council sharing of invaluable information. |

PERFORMANCE TARGETS FOR 2016-2017

| OUTCOMES | MEASURE | RESULT |
|---|---|--|
| | | <ul style="list-style-type: none"> • Health and Safety in Procurement of Machinery – Collective development of a standard health and safety template for council procurement of machinery to be used across all BOP and Waikato councils. Created a simple, robust and standard process at reduced cost for all councils. • Shared Health and Safety Training Register – Shared training register established in Collaboration Portal for Waikato and BOP councils enabling Health and Safety training requirements to be planned and coordinated across multiple councils. |
| Provide support to BOPLASS councils that are managing or investigating shared services projects (continued). | Quarterly satisfaction reviews with participating councils. Resource assignment measured from project job tracking. | <ul style="list-style-type: none"> • Inter-Council Network review, redesign and renegotiation – High capacity fibre network connecting the majority of BOPLASS councils. A full review of Inter-Council (ICN) costs, usage and council apportionment undertaken to deliver an improved service and reduce costs. Key contracts renegotiated with further savings achieved. |
| Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration. | All NZ councils are made aware of the Collaboration Portal and its benefits. Portal is operational outside of the LASS groups with a minimum of ten additional councils having utilised the portal. | <ul style="list-style-type: none"> • Collaboration Portal further developed to include options for central government agencies and an activity area dedicated to the Department of Internal Affairs to engage and network with councils. New LASS and councils signed up to the Collaboration Portal. • On-boarding and training provided to new councils to maximise usage and ensure increased uptake. • National awareness of Collaboration Portal created through BOPLASS presentation to LG Commissioner. • During 2016-17FY, 15 new local government organisations outside of the BOPLASS councils joined the Portal and have licensed users with access to the Collaboration Portal and shared information. • The Collaboration Portal now has a membership of 40 councils, 59 organisations in total and 516 users. |
| Ensure appointed vendors remain competitive and continued best value is returned to shareholders. | Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors. | <p>Contracts negotiated and/or renewed for:</p> <ul style="list-style-type: none"> • Video Conferencing Services. • ESRI Enterprise Licensing Agreement • Multi-Function Devices (copiers/printers) – full tender completed. Total upgrade of equipment across all of the BOPLASS council, additional functionality, significant cost savings, and a common technology platform supporting the future development of collaborative solutions between councils. • Councils' liability insurance providers reviewed and renewed. • GIS software and services – FME, Geocortex Essentials, Geocortex Optimizer, X-Tools, NZAA. • Print Media Copyright Agency (PMCA) contract renewed. • Media Monitoring services contract renewed. |
| Review governance performance and structure to ensure it supports BOPLASS' strategic direction. | Affirmative feedback received from shareholding councils at least annually. | <ul style="list-style-type: none"> • Strategic reviews completed by the Board. • Board reviews of operations governance structure and performance. • 2017-20 Statement of Intent developed to include and independent governance review. • 2017-20 Statement of Intent, including governance changes, accepted by all shareholding councils. |
| Communicate with each shareholding council at appropriate levels. | At least one meeting per year. | Executive-level meetings held with councils. |
| Ensure current funding model is appropriate. | Performance against budgets reviewed quarterly. Company remains financially viable. | <ul style="list-style-type: none"> • Council contributions levied. • Contributions received from activities producing savings. • Vendor rebates collected. • Monthly and quarterly performance reviewed. |

Above performance targets are unaudited preliminary results.

New Zealand Local Government Funding Agency Limited (LGFA)

The Council controlled organisation was formally established in December 2011. The company was set up by the eighteen local authorities and the Crown to provide debt funding to local authorities in New Zealand.

As a Council Controlled Organisation, New Zealand Local Government Funding Agency Limited (LGFA) is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent.

The company is governed by a Board of Directors.

Financial performance for the year ended 30 June 2017

| ACTUAL \$'000 | | ACTUAL \$'000 |
|------------------|----------------------------|------------------|
| 2015/16 | | 2016/17 |
| 15,530 | Revenue | 17,514 |
| (5,970) | Expenditure | (6,468) |
| 9,560 | Surplus/(deficit) | 11,046 |
| 9,560 | Net surplus/(deficit) year | 11,046 |
| 7,257 | Total assets | 8,491 |
| 7,213 | Total liabilities | 8,438 |

Statement of intent and performance

The company has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2017/18 and associated budget formally adopted by the company on 27 June 2017.

From page 179 - 180 is a report of performance against targets set in the Statement of Intent for 2016/17.

| PERFORMANCE TARGETS FOR 2016-2017 | | |
|---|---|--|
| OUTCOMES | MEASURE | RESULT |
| Providing savings in annual interest costs for all Participating Local Authorities of at least 30 basis points based on the methodology set out in LGFA's Annual Report 2016-2017 | LGFA measures the pricing performance of bond tenders against two key benchmarks. | <ul style="list-style-type: none"> • LGFA have continued with their base on-lending margins to 9 bps (2017s and 2019s), 10 bps (2020s and 2021s) and 11 bps (2023s and 2027s). • LGFA's average margin across all LGFA maturities is 10 bps. • LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for general market conditions). • LGFA is delivering on the 30 bps savings target for councils as outlined in the original business case for LGFA and provided councils with access to long dated tenors at these record lows in yields. |
| Making longer-term borrowings available to Participating Local Authorities | Maturities available to participating local authorities. | <ul style="list-style-type: none"> • In April 2017, LGFA commenced issuance of a 16-year bond (April 2033). Because of this issuance, LGFA now offers councils the ability to extend their longest dated LGFA borrowing out to April 2033 from the previous maximum maturity date of April 2027. • The average term of borrowing by councils over the 12-month period to 30 June 2017 was 96 months compared to the average borrowing term over the previous 12-month period to June 2016 of 94 months. |

| PERFORMANCE TARGETS FOR 2016-2017 | | |
|---|-------------------------------------|--|
| OUTCOMES | MEASURE | RESULT |
| Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice | Volume to bid ratio. | <ul style="list-style-type: none"> • LGFA listed its bonds on the NZX Debt Market in November 2015 and this has led to greater awareness and participation in LGFA bonds by domestic retail and offshore investors. Average turnover on the NZX Debt Market since listing has been \$16 million per month or 10% of the total turnover of the NZX Debt Market. • LGFA held nine bond tenders during the 12-month period to 30 June 2017, with an average tender volume of \$143 million and a range of \$90 million to \$190 million in size. All tenders were successful and fully subscribed. The average bid-coverage ratio across the nine bond tenders was 2.96 times and this compared to the average of 3.30 times for all 47 bond tenders held since LGFA first commenced issuance in February 2012. |
| Offering more flexible lending terms to Participating Local Authorities | | <ul style="list-style-type: none"> • Since LGFA introduced the ability for councils to have greater flexibility regarding borrowing maturity and date of loan drawdown in February 2015, they have lent \$1.193 billion in bespoke transactions to 36 councils. During the 12-month period to 30 June 2017 they lent \$707 million on a bespoke basis to 29 councils. This was 49% of total term lending to their council members over that period. • Short-term borrowing by councils as at 30 June 2017 was \$222 million comprising borrowing from 18 councils for terms between one and 12 months. |
| Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities. | Percentage of market share. | <ul style="list-style-type: none"> • Three councils joined LGFA in the 12-month period to June 2017, bringing the total number of council members to 53. Waitomo District Council joined as a borrower and guarantor while Central Hawkes Bay District Council and Northland Regional Council both joined as a borrower. • Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 30 June 2017, 50 participating councils have so far borrowed from LGFA. |
| Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency. | Credit rating of AA+ is maintained. | Met. |

Above performance targets are audited results.

Western Bay of Plenty Tourism and Visitors Trust (Tourism Bay of Plenty)

Tourism Bay of Plenty is a Council controlled organisation of both the Tauranga City Council and Western Bay of Plenty District Council and was formally established in July 2002.

As a Council Controlled Organisation, Tourism Bay of Plenty is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent.

The Trust is governed by a Board of Trustees.

Financial performance for the year ended 30 June 2017

| ACTUAL \$'000 | | ACTUAL \$'000 |
|------------------|----------------------------|------------------|
| 2015/16 | | 2016/17 |
| 2,043 | Revenue | 2,350 |
| (2,150) | Expenditure | (2,430) |
| (107) | Surplus/(deficit) | (80) |
| (107) | Net surplus/(deficit) year | (80) |
| 855 | Total assets | 867 |
| 336 | Total liabilities | 428 |

Statement of intent and performance

The Trust has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2017/18 and associated budget formally adopted by the company on 26 June 2017.

From page 181 - 182 is a report of performance against targets set in the Statement of Intent for 2016/17.

| PERFORMANCE TARGETS FOR 2016-2017 | | |
|-----------------------------------|---|---|
| OUTCOMES | MEASURE | RESULT |
| Destination Marketing | Further develop the international and domestic tourism market and increase visitor numbers to the region and visitor spend. Strengthen the region's brand and compete on our unique offerings | <p>Key deliverables met throughout July 2016 - June 2017 such as:</p> <ul style="list-style-type: none"> • Increase overall visitor spend by 3.7%. Achieved - \$950m MBIE RTE June 2017, a 9.7% increase - June 2017. • Increase WBOPDC TA Visitors Spend by 3.7%. Achieved - \$93m MBIE RTE June 2017, an increase of 6.9% from baseline of 87m as RTE changed during the FY. • Increase WDC visitor spend by 3.7%. Achieved - \$132m MBIE RTE June 2017 - an 8.1% increase. • Increase international visitor spend by 4%. Achieved - \$220m MBIE RTE June 2017 - a 23.6% increase. Marketing internationally in conjunction with our partners TNZ, Air NZ and ECNI over the past year has continued to create awareness and help push into shoulder months. • Grow visitation by 4%. While there is no data source, international spend has increased by 23.6% which implies TBOP will achieve 4% international growth. • Increase domestic visitor spend by 3.35%. Achieved - \$730m MBIE RTE June 2017, a 6.3% increase. • Increase domestic share volume by 3%. While there is no data source, domestic spend has increased by 6.3% which implies TBOP will achieve 4% domestic growth. • Increase our off-peak and shoulder season visitation by 5%. Achieved - \$69m average monthly shoulder and off-peak spend (July-Nov 2016 and Mar-June 2017) MBIE MRTE to June 2017, a 41% increase. • Increase Facebook followers Instagram, Twitter, eDM. Achieved. • Engage with Cruise lines, Port of Tauranga, Operators, Council to ensure visitor satisfaction. Achieved. |

| PERFORMANCE TARGETS FOR 2016-2017 | | |
|-----------------------------------|---|--|
| OUTCOMES | MEASURE | RESULT |
| Destination Management | Grow the capability of the tourism industry in a sustainable way. Implement the TBoP strategic plan, manage human and financial resources and act in accordance with Council code of conduct. | Key deliverables met throughout July 2016 - June 2017, such as: <ul style="list-style-type: none"> • Annual Plan completed and implementation in progress. • TBoP Monthly Management Reports. 6 monthly & 12 monthly reports. Achieved. • Manage budgets to P&L forecast. Achieved. • Risk Management Framework in development. Achieved. |
| Destination Development | Increase the region's tourism infrastructure and resources; contribute to the regions event strategy, help develop new tourism product and assist the 'export ready' development of existing product. | Key deliverables met throughout July 2016 - June 2017 such as: <ul style="list-style-type: none"> • Facilitate regular outcome focussed meetings with iwi, the iwi collective, Maori Business Association & Maori Tourism NZ - Achieved. • Develop a robust platform for measuring visitor numbers, visitor spend, origin of visitor, visitor flow and any other information which clarifies who, where, how and when visitor activity occurs. Achieved. • Launch brand proposition. Launched the Regional Brand Story at TRENZ trade show in May 2017 with a newly branded stand - Achieved. • Collaborate with the wider central North Island RTOs as well as our collective stakeholders to determine gaps and opportunities to grow our visitor economy collectively - Achieved. • VIC funding approved and TBoP are actively engaged in the next steps for design of new visitor centre. |
| Destination Leadership | Provide leadership for Tourism as a major contributor to regional economy. Encourage collaboration and partnerships between council, economic development agencies, tourism operators, other regions and other stakeholders to gain alignment and commitment to our vision. | Key deliverables met throughout July 2016 - June 2017 such as: <ul style="list-style-type: none"> • Promotion of 5 x Major Events per annum - Achieved. • Attendance at 6 weekly Event stakeholder meetings - Achieved. • Completion of Stakeholder Engagement and Communications Plan and implementation of Management System - Achieved. • Work with economic development individuals and agencies to encourage business growth within the tourism sector - Achieved. |

Above performance targets are audited results.

38. REMUNERATION

Chief Executive

The Chief Executive of Western Bay of Plenty District Council under section 42 of the Local Government Act 2002 received a salary of \$294,348 (2016: \$285,115).

In terms of the contract, the Chief Executive also received the following additional benefits:

| | ACTUAL | ACTUAL |
|---|----------------|----------------|
| | \$ | \$ |
| | 2017 | 2016 |
| Salary | 294,348 | 285,115 |
| Employer contributions to superannuation fund | 8,830 | 8,533 |
| Vehicle (Market Value plus FBT) | 26,098 | 39,082 |
| Other benefits (including medical insurance) | 2,651 | 2,682 |
| Total remuneration | 331,927 | 335,412 |

Elected Representative

Elected representatives received the following remuneration:

| | ACTUAL | ACTUAL |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| | 2017 | 2016 |
| Councillors | | |
| Dally, Grant Ronald | 22,755 | - |
| Dean, Mark | 22,755 | - |
| Goudie, Andrew Ian Ross | 9,225 | 31,138 |
| Gunn-Thomas, Karyl | 9,225 | 32,458 |
| Lally, Michael Patrick | 22,755 | - |
| Mackay, Peter | 37,241 | 33,076 |
| Marsh, Kevin Alexander | 37,241 | 31,138 |
| Marshall, David Clark | 22,755 | - |
| Matthews, Susan | 9,225 | 31,138 |
| Merriman, Gwenda | 12,978 | 43,593 |
| Murray-Benge, Margaret Elizabeth | 31,980 | 32,804 |
| Palmer, John Richard | 22,755 | - |
| Paterson, Ross James | 32,537 | 109,349 |
| Scrimgeour, John Rob | 37,241 | 31,138 |
| Thwaites, Donald Alan | 39,603 | 39,828 |
| Webber, Garry John | 92,467 | 41,006 |
| Williams, Michael | 42,699 | 40,589 |
| Total Councillors | 505,436 | 497,255 |

38. REMUNERATION (CONTINUED)

Community Board Members

Community board members received the following remuneration:

| | ACTUAL \$ | ACTUAL \$ |
|--------------------------------------|----------------|----------------|
| | 2017 | 2016 |
| Community Board Members | | |
| Beech, Shane William | 5,343 | 5,395 |
| Button, Beverley Joyce | 3,720 | - |
| Cameron, Donald Richard | 2,188 | 7,390 |
| Cantlon, Gary Lewis | 2,768 | 2,698 |
| Clark, Rachel Ann | 2,768 | 2,698 |
| Dally, Grant Ronald | 1,508 | 5,078 |
| Dugmore, Joan Elizabeth | 3,720 | - |
| Dunlop, Francis Miles (Sam) | 3,016 | 10,157 |
| Gibbs, Brendan | 5,228 | 5,078 |
| Grainger, Murray | 5,134 | - |
| Henderson, Kelly Marie | - | 1,659 |
| Hepenstall, Brian | 3,063 | - |
| Hobbs, Jennifer Robyn | 8,585 | 5,078 |
| Maurice, Timothy Edward | 1,094 | 3,695 |
| Mayo, Norman Frederick | 3,720 | - |
| Mcfadyen, Wendy | 1,970 | - |
| Miller, Peter | 10,093 | 10,157 |
| Mills, Derek | 1,242 | 4,190 |
| Nielsen, Fernley-Ann | 1,508 | 5,078 |
| Palmer, John Richard | 1,094 | 3,695 |
| Parsons, Ruth Miriam | 4,305 | 4,190 |
| Presland, Peter John | 2,626 | - |
| Roberts, Marilyn Kathleen | 4,305 | 4,190 |
| Sage, Derek Keith | 2,837 | - |
| Sage, Teresa | 2,837 | - |
| Sole, Allan James | 8,312 | 8,379 |
| Spratt, Ronald Parker | 3,418 | 5,078 |
| Warren, Benjamin Christian | 3,720 | - |
| Woods, Christopher | 1,094 | 3,695 |
| Wratt, Keith Allan | 1,508 | 5,078 |
| Total Community Board Members | 102,725 | 102,656 |

Non-monetary remuneration

| | | |
|--|--------|--------|
| Paterson, Ross James (until 16 October 2016) | 8,783 | 31,960 |
| Webber, Garry John (from 17 October 2016) | 28,141 | - |

38. REMUNERATION (CONTINUED)

Remuneration scale

| | ACTUAL | ACTUAL |
|----------------------------------|------------|------------|
| | \$'000 | \$'000 |
| | 2017 | 2016 |
| <\$60,000 | 87 | 97 |
| \$60,000 - \$79,999 per annum | 69 | 57 |
| \$80,000 - \$99,999 per annum | 37 | 30 |
| \$100,000 - \$119,999 per annum | 10 | 15 |
| \$120,000 - \$139,999 per annum | 12 | |
| \$140,000 - \$239,999 per annum | 6 | |
| >\$240,000 - \$339,999 per annum | 2 | 9 |
| Total employees | 223 | 208 |

Total remuneration includes any non-financial benefits provided to employees.

At balance date, the Council employed 180 (2016: 169) full-time employees, with the balance of 43 staff representing 23 (2016: 23) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

39. SEVERANCE PAYMENTS

For the year ended 30 June 2017 Western Bay of Plenty District Council made two (2016: nil) severance payments to employees totalling \$114,849 (2016: nil).

The value of each of the severance payments made in 2017 was \$20,371 and \$94,478.

40. EVENTS AFTER THE BALANCE

There were no significant events after the balance date.

41. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS CATEGORIES

The accounting policies for financial instruments have been applied to the line items below:

| | | ACTUAL \$'000 | ACTUAL \$'000 |
|--|-------------|------------------|------------------|
| | NOTE | 2017 | 2016 |
| Financial assets | | | |
| Fair value through surplus & deficit | | | |
| - New Zealand Local Government Funding Agency | 20 | 1,866 | 1,866 |
| Total fair value through surplus and deficit | | 1,866 | 1,866 |
| Loans and receivables | | | |
| Cash and cash equivalents | 14 | 14,779 | 17,181 |
| Debtors and other receivables | 15 | 7,721 | 6,461 |
| LGFA Borrower Notes | 20 | 1,680 | 1,120 |
| Te Tumu Investment | 18 | 10,121 | 1,619 |
| Term deposits | 18 | 35,000 | - |
| Total loans and receivables | | 69,301 | 26,381 |
| Fair value through other comprehensive income | | | |
| Other financial assets: | | | |
| - local authority stock | 20 | 43 | 39 |
| - listed shares | 18 | 152 | 80 |
| Total Fair value through other comprehensive income | | 195 | 119 |
| Financial liabilities | | | |
| Fair value through surplus and deficit | | | |
| Derivative financial instrument liability | 16 | 9,655 | 14,797 |
| Total Fair value through surplus and deficit | | 9,655 | 14,797 |
| Financial liabilities at amortised cost | | | |
| Creditors and other payables | 24, 26 & 27 | 17,577 | 13,833 |
| Borrowings: | | | |
| - secured loans | 25 | 150,000 | 128,000 |
| Total financial liabilities at amortised cost | | 167,577 | 141,833 |

42. TE TUMU FINANCIAL INSTRUMENTS

Interest Free Loan

In 2007, Western Bay of Plenty District Council and Tauranga City Council together acquired a block of land referred to as Te Tumu. This land was purchased with the condition of providing the vendor the option to acquire it sometime from December 2016 to December 2026. The rationale for Western Bay of Plenty District Council and Tauranga City Council purchasing the land was to ensure development of this land was consistent with the SmartGrowth strategy.

With this purchase of land, the vendor has the right to use the land in its undeveloped state until December 2016 (extendable annually for a further ten years). As Western Bay Council does not have the right to use this land over this period, it is not recognised as a traditional land purchase in the Western Bay Council's accounts.

Instead, this transaction gives rise to the creation of a financial asset where Western Bay Council has a right to receive cash when the vendor exercises their option to repurchase the property. This asset is recognised as an interest free loan. If the vendor does not exercise their right, the land reverts to Western Bay Council and will be recognised as land in Western Bay Council's accounts.

Fair value of the interest free loan is \$10m (2016: \$2m) determined as the present value of future cash flows based on a fixed investment financing rate of 11.5% discounted at 4%. In December 2016, as per the agreement, the interest rate was renegotiated to a market related rate.

In the 2013 financial year, the value of the loan was determined based on the underlying "fair value" of the land. Western Bay Council assumed that due to the general slowdown in growth at that time, the option would not be exercised in 2016. The Western Bay Council extended its assumptions and the exercise of the option to the end of the 10-year period. However, in December 2016, the vendor indicated that they would exercise the option prior to 2026.

In addition, a property subdivision right has been recognised. This represents the right the Western Bay Council has obtained in ensuring development of this land is consistent with SmartGrowth. The initial impairment of the loan has been recognised as the amount payable for the right to use the land in its undeveloped state, which in turn created a "Property Subdivision Right" asset. The subdivision right was recognised as an intangible asset and amortised over the period the vendor was expected to exercise their option to repurchase the property. Refer Note 22 Intangible Assets.

This intangible asset was measured as the difference between the amount paid by the Western Bay Council for this land and the present value of the future cash flow discounted on the option if exercised, at the difference in rate between the investment finance rate of 11.5% and the agreed rate of 7.5%.

43. FAIR VALUE HIERARCHY DISCLOSURES

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

| | VALUATION TECHNIQUE | | | |
|---|---------------------|---------------------|-------------------|-----------------------------------|
| | Total | Quoted Market Price | Observable Inputs | Significant non-observable inputs |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 30 June 2017 | | | | |
| Financial Assets | | | | |
| Local authority stock | 43 | 43 | | |
| Shares | 152 | 152 | | |
| Te Tumu investment | 10,121 | | | 10,121 |
| New Zealand Local Government Funding Agency Ltd | 3,546 | | 3,546 | |
| Financial Liabilities | | | | |
| Derivatives | 9,655 | | 9,655 | |
| 30 June 2016 | | | | |
| Financial Assets | | | | |
| Local authority stock | 39 | 39 | | |
| Shares | 80 | 80 | | |
| Te Tumu investment | 1,619 | | | 1,619 |
| New Zealand Local Government Funding Agency Ltd | 2,986 | | 2,986 | |
| Financial Liabilities | | | | |
| Derivatives | 14,797 | | 14,797 | |

Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements.

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Balance at 1 July | 1,619 | 1,396 |
| Gains/(losses) recognised in surplus and deficit | 635 | 223 |
| Reversal of impairment | 7,868 | - |
| Balance at 30 June | 10,122 | 1,619 |

44. FINANCIAL INSTRUMENT RISKS

Western Bay Council has a series of policies to manage the risks associated with financial instruments. Western Bay Council is risk averse and seeks to minimise exposure from its treasury activities. Western Bay Council has established Council approved liability management and investment policies. These policies do not allow any transactions to be entered into that are speculative in nature.

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Western Bay Council is exposed to equity securities price risk on its investments. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of Western Bay Council's investment portfolio in accordance with the limits set out in Western Bay Council's investment policy.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Western Bay Council purchases plant and equipment associated with the construction of certain infrastructural assets from overseas, which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is the Western Bay Council's policy to manage foreign currency risks arising from contractual commitments and liabilities that are above \$15,000 by entering into forward foreign exchange contracts to manage the foreign currency risk exposure. This means the Western Bay Council is able to fix the New Zealand dollar amount payable prior to delivery of the plant and equipment from overseas.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose the Western Bay Council to fair value interest rate risk. Western Bay Council's liability management policy is to maintain between 50% and 95% of its borrowings in fixed rate instruments. Interest rate swaps are entered into to hedge the fair value interest rate risk arising from Western Bay Council's borrowings to ensure they remain within these limits.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Western Bay Council to cash flow interest rate risk.

Generally, Western Bay Council raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if Western Bay Council borrowed at fixed rates directly. Under the interest rate swaps, Western Bay Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Western Bay Council, causing Western Bay Council to incur a loss. Due to the timing of its cash inflows and outflows, Western Bay Council invests surplus cash into term deposits and local authority stock which gives rise to credit risk.

Western Bay Council's investment policy limits the amount of credit exposure to any one financial institution or organisation. Investments in other Local Authorities are secured by charges over rates. Other than other local authorities, the Western Bay Council only invests funds with entities that have a Standard and Poor's or Moody's credit rating of A- or above for long-term investments.

Western Bay Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

44. FINANCIAL INSTRUMENT RISKS (CONTINUED)

Maximum exposure to credit risk

| | ACTUAL \$'000 | ACTUAL \$'000 |
|---|------------------|------------------|
| | 2017 | 2016 |
| Cash at bank and term deposits | 49,779 | 17,181 |
| Debtors and other receivables | 7,721 | 6,789 |
| Local authority and government stock | 195 | 119 |
| New Zealand Local Government Funding Agency | 3,546 | 2,986 |
| Derivative financial instruments | (9,655) | (14,797) |
| Financial instruments | 10,121 | 1,617 |
| Total credit risk | 61,707 | 13,895 |

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

| | ACTUAL \$'000 | ACTUAL \$'000 |
|--|------------------|------------------|
| | 2017 | 2016 |
| Counterparties with credit ratings | | |
| Cash at bank and term deposits | | |
| A-1+ | 49,779 | 17,181 |
| Total cash at bank and term deposits | 49,779 | 17,181 |
| Local authority and government stock | | |
| AA+ | 3,546 | 2,986 |
| A | 43 | 31 |
| Total local authority and government stock | 3,589 | 3,017 |
| Derivative financial instrument assets | | |
| AA | - | - |
| Total derivative financial instruments | - | - |
| Financial instrument assets | | |
| No rating | 10,121 | 1,619 |
| Total financial instrument assets | 10,121 | 1,619 |
| Counterparties without credit ratings | | |
| Existing assets with no defaults in the past | 152 | 80 |
| Total counterparties without credit ratings | 152 | 80 |

Debtors and other receivables mainly arise from Western Bay's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Western Bay has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers and Western Bay has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that Western Bay will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Western Bay aims to maintain flexibility in funding by keeping committed credit lines available.

Western Bay manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy. These policies have been adopted as part of the Western Bay Council's Long Term Plan. Western Bay has a maximum amount that can be drawn down against its overdraft facility of \$600,000 (2016: \$600,000). There are no restrictions on the use of this facility.

Contractual maturity analysis of financial liabilities

The table below analyses Western Bay's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

44. FINANCIAL INSTRUMENT RISKS (CONTINUED)

| | CARRYING AMOUNT | CONTRACTUAL CASH FLOWS | LESS THAN 1 YEAR | 1-2 YEARS | 2-5 YEARS | MORE THAN 5 YEARS |
|------------------------------------|-----------------|------------------------|------------------|---------------|---------------|-------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Council 2017 | | | | | | |
| Creditors and other payables | 17,577 | 17,577 | 17,577 | - | - | - |
| Net settled derivative liabilities | 9,655 | 9,907 | 577 | 1,917 | 4,663 | 2,750 |
| Secured loans | 150,000 | 171,402 | 49,857 | 28,214 | 18,169 | 75,162 |
| Total | 177,232 | 198,886 | 68,011 | 30,131 | 22,832 | 77,912 |
| Council 2016 | | | | | | |
| Creditors and other payables | 13,833 | 13,833 | 13,833 | - | - | - |
| Net settled derivative liabilities | 14,797 | 15,313 | 516 | 1,451 | 8,021 | 5,325 |
| Secured loans | 128,000 | 143,408 | 17,893 | 74,472 | 28,937 | 22,106 |
| Total | 156,630 | 172,554 | 32,242 | 75,923 | 36,958 | 27,431 |

Contractual maturity analysis of financial assets

The table below analyses Western Bay's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

| | CARRYING AMOUNT | CONTRACTUAL CASH FLOWS | LESS THAN 1 YEAR | 1-2 YEARS | 2-5 YEARS | MORE THAN 5 YEARS |
|---|-----------------|------------------------|------------------|-----------|-----------|-------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Council 2017 | | | | | | |
| Cash and cash equivalents | 14,779 | 14,779 | 14,779 | - | - | - |
| Debtors and other receivables | 7,721 | 7,721 | 7,721 | - | - | - |
| Net settled financial instruments | 10,121 | 19,996 | - | - | - | 19,996 |
| Other financial assets: | | | | | | |
| - Term deposits with original maturities of greater than 3 months and remaining maturities of less than 12 months | 35,000 | 35,000 | 35,000 | - | - | - |
| - Local authority and government stock | 3,741 | - | - | - | - | 3,741 |
| Total | 71,362 | 77,496 | 57,500 | - | - | 23,737 |
| Council 2016 | | | | | | |
| Cash and cash equivalents | 17,181 | 17,181 | 17,181 | - | - | - |
| Debtors and other receivables | 6,789 | 6,789 | 6,789 | - | - | - |
| Net settled financial instruments | 1,617 | 19,996 | - | - | - | 19,996 |
| Other financial assets: | | | | | | |
| - Term deposits with original maturities of greater than 3 months and remaining maturities of less than 12 months | - | - | - | - | - | - |
| - Local authority and government stock | 3,097 | - | - | - | - | 3,097 |
| Total | 28,684 | 43,966 | 23,970 | - | - | 23,093 |

44. FINANCIAL INSTRUMENT RISKS (CONTINUED)

Sensitivity analysis

The tables below illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on Western Bay's financial instrument exposures at the balance date.

| INTEREST RATE RISK | NOTE | 2017 \$'000 | | | | 2016 \$'000 | | | |
|--|------|----------------|--------------------------------|--------------|--------------------------------|----------------|--------------------------------|--------------|--------------------------------|
| | | PROFIT | - 100BPS OTHER EQUITY | PROFIT | + 100BPS OTHER EQUITY | PROFIT | - 100BPS OTHER EQUITY | PROFIT | + 100BPS OTHER EQUITY |
| Financial assets | | | | | | | | | |
| Cash and cash equivalents | 1 | (148) | | 148 | | (172) | | 172 | |
| Financial instruments | 2 | (101) | | 101 | | (16) | | 16 | |
| Other financial assets: | | | | | | | | | |
| - Local authority stock | 3 | | (17) | | 17 | | (12) | | 12 |
| Financial liabilities | | | | | | | | | |
| Derivatives - interest rate swaps | 4 | (5,036) | | 4,683 | | (5,658) | | 5,309 | |
| Borrowings: | | | | | | | | | |
| Debentures | 5 | 1,300 | | (1,300) | | 1,180 | | (1,180) | |
| Total sensitivity to interest rate risk | | (3,985) | (17) | 3,632 | 17 | (4,666) | (12) | 4,317 | 12 |

| EQUITY PRICE RISK | NOTE | PROFIT | - 10% OTHER EQUITY | PROFIT | +10% OTHER EQUITY | PROFIT | - 10% OTHER EQUITY | PROFIT | +10% OTHER EQUITY |
|---|------|----------|--------------------------|----------|-------------------------|----------|--------------------------|----------|-------------------------|
| Financial assets | | | | | | | | | |
| Other financial assets: | | | | | | | | | |
| - Quoted share investments | 6 | | (15) | | 15 | | (8) | | 8 |
| Total sensitivity to equity price risk | | - | (15) | - | 15 | - | (8) | - | 8 |

Explanation of sensitivity analysis

1. Cash and cash equivalents

Cash and cash equivalents include deposits on call totalling \$14,777,906 (2016: \$17,180,977) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$147,779 (2016: \$171,810).

Derivatives

2. Financial instruments

Financial instruments include Te Tumu land purchase totalling \$10.12m (2016: \$1.61m). A movement in interest rates of 1.0% has an effect of \$101,211 (2016: \$16,175) on the unrealised value of the financial instruments.

3. Local authority stock

A total of \$1,723,000 (2016: \$1,159,000) of investments in local authority stock are classified at fair value through equity. A movement in interest rates of plus or minus 1.0% has an effect of \$17,233 (2016: \$11,594) on the fair value through other comprehensive income

4. Financial liabilities

Derivative financial assets not hedge accounted includes interest rate swaps with a fair value totalling \$9.66m (2016: \$14.80m). A movement in interest rates of plus 1.0% has an effect of reducing the swap deficit value by \$5.04m (2016: \$5.66m). A movement in interest rates of minus 1.0% has an effect of increasing the swap deficit value by \$4.68m (2016: \$5.31m).

5. Debentures - secured loans

Council has floating rate debt with a principal amount totalling \$130.00 million (2016: \$108.00m). A movement in interest rates of plus or minus 1.0% has an effect on interest expense of \$1,300,000 (2016: \$1,080,000). A movement in market interest rates on fixed rate debt does not have any impact because secured loans are accounted for at amortised cost using the effective interest method.

6. Listed shares

Western Bay holds equity instruments in Zespri Group Limited valued at \$95,000 (2016: \$45,000) and Seeka Kiwifruit Industries Limited valued at \$57,000 (2016: \$35,000). Zespri shares are not publicly traded, however Seeka shares are publicly traded. If there was a movement of plus or minus 10% in the share price the effect would be a movement in the fair value through other comprehensive income reserve of \$15,000 (2016: \$8,000).

Creditors and other payables

Trade payables do not include any foreign currency denominated payables in relation to plant and equipment purchases. Therefore there is no currency price risk and no movement under sensitivity analysis.

45. CAPITAL MANAGEMENT

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for all major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the LTP.

Western Bay has the following Council created reserves:

- reserves for different areas of benefit
- self-insurance reserves; and
- trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can only be approved by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose for which they were donated.

46. EXPLANATION OF MAJOR VARIANCES

Explanations for major variations from Western Bay's estimated figures in the Annual Plan 2016-17 and 2017 actuals are as follows:

Statement of Comprehensive Income

Actual 2017 surplus of \$25,587 million versus 2017 budget surplus of \$11,936 million. A favourable variance of \$13,651 million.

The major contributors to the variance were:

Total revenue was \$17,281 million over budget.

| | \$'000 |
|--|---------------|
| Revenue variances positive / (negative): | |
| ¹ Fees and charges from activities | (152) |
| ² Rates revenue including target water supply rates | 1,198 |
| ³ Financial contributions | 3,942 |
| ⁴ Vested assets | 2,975 |
| ⁵ Subsidies & grants | 1,542 |
| ⁶ Gains | 1,542 |
| ⁷ Other revenue | 1,092 |
| ⁸ Unrealised hedging movement | 5,142 |
| | 17,281 |

Total expenditure was \$3,630 million over budget.

| | \$'000 |
|---|--------------|
| Expenditure positive / (negative): | |
| ⁹ Other expenses | 2,044 |
| ¹⁰ Personnel costs | 535 |
| ¹¹ Depreciation and amortisation | 489 |
| ¹³ Finance cost - realised | 356 |
| ¹⁵ Share of associate surplus | 205 |
| | 3,630 |

¹ Fees and charges from activities were \$152k lower than the budget, therefore in line with the budget of \$6.434m.

² Rate income of \$63.657m is \$1.198m higher than the \$62.459m budget. This is due to increased properties in the District and increased values of these properties.

³ Financial contribution revenue of \$10.993m is \$3.942m higher than the \$7.051m budget due to increased activity seen in the housing market in the District.

⁴ Vested assets income of \$3.658m is \$2.975m higher than the \$0.683m budget.

⁵ Subsidies & grants income of \$10.359m was \$1.542m higher than budget of \$8.817m due to the timing of capital works that are eligible for NZTA funding. Subsidies are predominately from the New Zealand Transport Authority and dependent on the level of work carried out in the One Network Maintenance Contract (ONMC).

⁶ Gains income of \$1.542m predominantly relates to the revaluation movements in Council held forestry.

⁷ Other revenue of \$4.615m is \$729k higher than the budget of \$3.886m and includes dividends of \$227k of dividends that are not a budgeted item, and rental income including pensioner housing and motor camps where receipts were higher than budget.

⁸ Unrealised hedging movement of \$5.142m are not a budgeted item. This is a non cash accounting entry.

⁹ Other expenses of \$35.966m were \$2.044m higher than the \$33.921m budget. This variance is the result of losses on disposal of assets and impairment of receivables.

¹⁰ Personnel costs of \$16.830m were \$535k higher than budget of \$16.295m. Significant staff resourcing pressures in the consents and building departments has lead to increased costs to process the increase in activity. This has been more than offset by an increase in user fee income.

¹¹ Depreciation and amortisation costs of \$19.413m were \$489k higher than the budget of \$18.924m.

¹² Finance costs realised of \$8.246m were \$356k higher than the budget of \$7.890m.

46. EXPLANATION OF MAJOR VARIANCES (CONTINUED)

Explanations of variances between 2016 and 2017 are as follows:

Statement of Financial Position

Actual net equity of \$1,155,286 million versus \$1,121.755 million in 2016.

There was an increase in overall net equity from actual 2016 of \$33.531 million. The majority of this movement was due to:

| | \$'000 |
|--|-----------------|
| Decrease in cash held at year end | (2,402) |
| Increase in debtors and prepayments | 1,632 |
| Increase in investments and financial assets | 43,933 |
| Increase in non-current assets held for sale | 420 |
| Increase in forestry assets | 1,024 |
| Increase in intangible assets | 39 |
| Increase in property plant and equipment | 9,119 |
| | 53,765 |
| Increase in debt for the year | (22,000) |
| Decrease in interest rate swap liability | 5,142 |
| Increase in creditors and other payables | (3,134) |
| Increase in other liabilities | (242) |
| | (20,234) |
| Net movement | 33,531 |

The major variances to prior year were:

- Property, plant and equipment was \$9.119m higher than last year. The increase reflects capitalisation of completed projects.
- Other current financial assets was \$35.0m higher than last year due to short term cash deposit.
- Borrowings were \$22.000m higher than last year due to short term borrowing of \$35.0m which was placed on deposit at a more favourable rate.
- Council's unrealised interest rate swaps liability was \$9.655m compared to \$14.797m in 2016. This is due to the volatility of interest rate movements and as a result Council does not budget for this.

Statement of Cash flows

2017 actual movement was a net increase in cash held of \$14.779m versus a budgeted net increase of \$2.895m and actual 2016 net increase in cash held \$17.181m.

Net cash flows from operating activities of \$36.155m versus \$28.785m budget and last year actual of \$30.012m.

Compared to budget, receipts from rates has increased \$4.489m due to increased properties in the District and increased values of these properties. Other revenue income has increased by \$3.334m due to increased building activity in the District and associated consent fees. This has been offset by increased payment to suppliers of \$833k.

Net cash flows from investing activities of (\$60.558)m versus (\$41.515)m budget and last year actual of (15.644)m.

This is due to a \$35.000m short term deposit, offset in part by reduced purchases of property, plant and equipment.

Net cash flows from financing activities of \$22.000m versus \$7.000m budget and last year actual of (\$10.000)m.

This reflects Council's borrowing from LGFA and placing funds on short term deposit with a more favourable rate.

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 (WHOLE OF COUNCIL)

| For the years ended 30 June | | ANNUAL PLAN | ACTUAL | ANNUAL PLAN | ACTUAL |
|--|------------------------|-----------------|-----------------|-----------------|-----------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| | | 2016 | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | | |
| General rates, uniform annual charges, rates penalties | | 21,637 | 21,138 | 21,261 | 21,637 |
| Targeted rates | | 42,021 | 37,278 | 37,712 | 42,021 |
| Subsidies and grants for operating purposes | | 9,901 | 5,055 | 3,779 | 9,901 |
| Fees and charges | | 5,881 | 8,882 | 8,515 | 5,881 |
| Interest and dividends from investments | | 226 | 249 | - | 227 |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | 18,373 | 5,147 | 3,706 | 5,362 |
| Total operating funding | (A) | 98,039 | 77,748 | 74,973 | 85,029 |
| Applications of operating funding | | | | | |
| Payments to staff and suppliers | | 52,575 | 49,343 | 50,034 | 52,575 |
| Finance costs | | 13,388 | 8,709 | 7,890 | 8,246 |
| Other operating funding applications | | 195 | 29 | 183 | 195 |
| Total applications of operating funding | (B) | 66,158 | 58,081 | 58,107 | 61,016 |
| Operating funding - surplus/(deficit) | (A-B) | 31,881 | 19,668 | 16,865 | 24,012 |
| Sources of capital funding | | | | | |
| Subsidies and grants for capital expenditure | | 476 | 2,080 | 6,259 | 476 |
| Development and financial contributions | | 10,993 | 7,862 | 7,051 | 10,993 |
| Increase/(decrease) in debt | | (5,232) | (8,847) | 9,363 | (5,232) |
| Gross proceeds from sale of assets | | 268 | 157 | 85 | 268 |
| Lump sum contributions | | - | - | - | - |
| Other dedicated capital funding | | - | - | - | - |
| Total Sources of capital funding | (C) | 6,504 | 1,252 | 22,758 | 6,504 |
| Applications of capital funding | | | | | |
| Capital expenditure | | | | | |
| • to meet additional demand | | 8,867 | 4,276 | 14,608 | 8,867 |
| • to improve the level of service | | 8,516 | 6,741 | 14,275 | 8,516 |
| • to replace existing assets | | 9,442 | 6,129 | 12,396 | 9,442 |
| Increase/(decrease) in reserves | | 3,615 | 3,773 | (1,656) | 3,615 |
| Increase/(decrease) in investments | | 7,944 | - | - | 76 |
| Total applications of capital funding | (D) | 38,385 | 20,919 | 39,624 | 30,516 |
| Capital funding - surplus/(deficit) | (C-D) | (31,881) | (19,668) | (16,865) | (24,012) |
| Funding balance | ((A-B) + (C-D)) | - | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 (WHOLE OF COUNCIL)

RECONCILIATION OF SUMMARY FUNDING IMPACT STATEMENT TO STATEMENTS OF COMPREHENSIVE INCOME

| For the years ended 30 June | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|---|--------------------------|--------------------------|------------------|
| | 2016 | 2017 | 2017 |
| Operating funding per Funding Impact Statement | 98,040 | 72,979 | 85,029 |
| Add: Subsidies and grants for capital expenditure | 477 | 8,780 | 476 |
| Swap revaluation movement | | | |
| Financial contributions | 10,993 | 6,990 | 10,993 |
| Lump sum contributions | - | - | - |
| Revaluation adjustments | 1,024 | - | 7,648 |
| Total | 110,533 | 88,750 | 104,145 |
| Total Revenue per Statement of Comprehensive Income | 114,191 | 91,041 | 107,728 |
| Less: Loss on shares adjustment | | | (76) |
| Less: Vested Assets | 3,658 | 2,291 | 3,658 |
| Less: Gains | - | - | - |
| Total | 110,533 | 88,750 | 111,310 |
| Variance | - | - | - |
| Application of operating funding per Funding Impact Statement | 66,158 | 58,255 | 61,016 |
| Total expenditure per Statement of Comprehensive Income | 80,454 | 78,542 | 75,312 |
| Less depreciation and amortisation | 19,413 | 20,287 | 19,413 |
| Less revaluation movement | 25 | - | 25 |
| Less unrealised hedging movement | (5,142) | - | (5,142) |
| Less asset impairment/loss on sale | - | - | - |
| Less other adjustments | - | - | - |
| | 66,158 | 58,255 | 61,016 |
| Variance | - | - | - |
| Net Variance | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR REPRESENTATION

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|--------------------------|--------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 2,943 | 3,137 | 2,687 |
| Targeted rates | | - | - | - |
| Subsidies and grants for operating purposes | | - | - | - |
| Fees and charges | | - | - | - |
| Internal charges and overhead costs recovered | | 580 | 601 | 577 |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | - | 77 | 68 |
| Total operating funding | (A) | 3,523 | 3,815 | 3,332 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 1,487 | 1,520 | 1,366 |
| Finance costs | | (45) | (24) | (65) |
| Internal charges and overhead costs applied | | 2,032 | 2,125 | 1,788 |
| Other operating funding applications | | 40 | 188 | 195 |
| Total applications of operating funding | (B) | 3,515 | 3,808 | 3,285 |
| Operating funding - surplus/(deficit) | (A-B) | 8 | 7 | 47 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | - | - | - |
| Increase/(decrease) in debt | | - | - | 85 |
| Gross proceeds from sale of assets | | - | - | (1) |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | - | - | 84 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | - | - | - |
| • to improve the level of service | | - | - | - |
| • to replace existing assets | | - | - | - |
| Increase/(decrease) in reserves | | 8 | 7 | 131 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 8 | 7 | 131 |
| Capital funding - surplus/(deficit) | (C-D) | (8) | (7) | (47) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR PLANNING FOR THE FUTURE

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 2,195 | 2,138 | 2,204 |
| Targeted rates | | - | - | 13 |
| Subsidies and grants for operating purposes | | - | - | - |
| Fees and charges | | - | - | - |
| Internal charges and overhead costs recovered | | - | - | - |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | - | - | 2 |
| Total operating funding | (A) | 2,195 | 2,138 | 2,219 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 1,433 | 1,350 | 1,499 |
| Finance costs | | (160) | (169) | (33) |
| Internal charges and overhead costs applied | | 752 | 779 | 700 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 2,025 | 1,961 | 2,166 |
| Operating funding - surplus/(deficit) | (A-B) | 170 | 177 | 53 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | - | - | - |
| Increase/(decrease) in debt | | - | - | - |
| Gross proceeds from sale of assets | | - | - | (2) |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | - | - | (2) |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | - | - | - |
| • to improve the level of service | | - | - | - |
| • to replace existing assets | | - | - | - |
| Increase/(decrease) in reserves | | 170 | 177 | 51 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 170 | 177 | 51 |
| Capital funding - surplus/(deficit) | (C-D) | (170) | (177) | (53) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR COMMUNITIES

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 3,098 | 3,259 | 3,523 |
| Targeted rates | | 1,780 | 1,943 | 2,066 |
| Subsidies and grants for operating purposes | | - | - | 18 |
| Fees and charges | | 75 | 77 | 65 |
| Internal charges and overhead costs recovered | | 779 | 827 | 816 |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | 458 | 476 | 754 |
| Total operating funding | (A) | 6,190 | 6,581 | 7,243 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 3,680 | 3,678 | 4,369 |
| Finance costs | | (47) | 29 | (108) |
| Internal charges and overhead costs applied | | 2,042 | 2,235 | 2,481 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 5,675 | 5,942 | 6,742 |
| Operating funding - surplus/(deficit) | (A-B) | 515 | 639 | 501 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | - | - | - |
| Increase/(decrease) in debt | | 1,417 | 51 | 276 |
| Gross proceeds from sale of assets | | - | - | (33) |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | 1,417 | 51 | 244 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | 2,384 | 49 | 164 |
| • to improve the level of service | | - | - | - |
| • to replace existing assets | | 434 | 336 | 316 |
| Increase/(decrease) in reserves | | (887) | 305 | 264 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 1,932 | 690 | 745 |
| Capital funding - surplus/(deficit) | (C-D) | (515) | (639) | (501) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR RECREATION AND LEISURE

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 4,986 | 5,285 | 5,044 |
| Targeted rates | | 194 | 199 | 15 |
| Subsidies and grants for operating purposes | | 70 | 655 | 72 |
| Fees and charges | | - | - | - |
| Internal charges and overhead costs recovered | | 1,009 | 1,037 | 1,078 |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | 687 | 671 | 1,008 |
| Total operating funding | (A) | 6,946 | 7,847 | 7,217 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 3,636 | 3,711 | 4,063 |
| Finance costs | | 60 | 64 | (101) |
| Internal charges and overhead costs applied | | 1,875 | 1,935 | 1,948 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 5,571 | 5,710 | 5,910 |
| Operating funding - surplus/(deficit) | (A-B) | 1,375 | 2,137 | 1,308 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | 1,554 | 1,585 | 2,302 |
| Increase/(decrease) in debt | | 49 | 161 | (252) |
| Gross proceeds from sale of assets | | - | - | 33 |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | 1,602 | 1,746 | 2,083 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | 1,067 | 1,900 | 768 |
| • to improve the level of service | | 270 | 276 | 6 |
| • to replace existing assets | | 765 | 948 | 776 |
| Increase/(decrease) in reserves | | 876 | 758 | 1,841 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 2,971 | 3,883 | 3,390 |
| Capital funding - surplus/(deficit) | (C-D) | (1,375) | (2,137) | (1,308) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR REGULATORY SERVICES

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 2,025 | 1,858 | 1,911 |
| Targeted rates | | - | - | - |
| Subsidies and grants for operating purposes | | - | - | - |
| Fees and charges | | 3,387 | 3,697 | 5,548 |
| Internal charges and overhead costs recovered | | 28 | 29 | 22 |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | 37 | 37 | 93 |
| Total operating funding | (A) | 5,477 | 5,621 | 7,573 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 3,553 | 3,598 | 4,809 |
| Finance costs | | (10) | (11) | (10) |
| Internal charges and overhead costs applied | | 1,610 | 1,707 | 2,444 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 5,153 | 5,294 | 7,243 |
| Operating funding - surplus/(deficit) | (A-B) | 323 | 327 | 330 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | - | - | - |
| Increase/(decrease) in debt | | (18) | (19) | (85) |
| Gross proceeds from sale of assets | | - | - | - |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | (18) | (19) | (85) |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | - | - | - |
| • to improve the level of service | | - | - | - |
| • to replace existing assets | | - | - | - |
| Increase/(decrease) in reserves | | 305 | 308 | 244 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 305 | 308 | 244 |
| Capital funding - surplus/(deficit) | (C-D) | (323) | (327) | (330) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR TRANSPORTATION

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | - | - | - |
| Targeted rates | | 13,093 | 13,703 | 14,058 |
| Subsidies and grants for operating purposes | | 6,881 | 7,169 | 10,087 |
| Fees and charges | | - | - | 43 |
| Internal charges and overhead costs recovered | | - | - | - |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | 262 | 264 | 343 |
| Total operating funding | (A) | 20,236 | 21,135 | 24,530 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 8,872 | 8,997 | 9,346 |
| Finance costs | | 1,369 | 1,371 | 1,020 |
| Internal charges and overhead costs applied | | 1,257 | 1,298 | 1,114 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 11,498 | 11,667 | 11,480 |
| Operating funding - surplus/(deficit) | (A-B) | 8,737 | 9,468 | 13,050 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | 6,011 | - | - |
| Development and financial contributions | | 2,791 | 2,330 | 3,396 |
| Increase/(decrease) in debt | | 818 | (891) | (2,288) |
| Gross proceeds from sale of assets | | - | - | 112 |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | 3,609 | 1,440 | 1,221 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | 1,924 | 1,119 | 4,405 |
| • to improve the level of service | | 6,391 | 5,703 | 7,145 |
| • to replace existing assets | | 4,031 | 4,086 | 2,420 |
| Increase/(decrease) in reserves | | - | - | 300 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 12,346 | 10,908 | 14,271 |
| Capital funding - surplus/(deficit) | (C-D) | (8,737) | (9,468) | (13,050) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR WATER SUPPLY

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | - | - | - |
| Targeted rates | | 6,258 | 5,967 | 10,088 |
| Subsidies and grants for operating purposes | | 51 | - | - |
| Fees and charges | | 3,080 | 3,387 | 128 |
| Internal charges and overhead costs recovered | | - | - | - |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | - | - | - |
| Total operating funding | (A) | 9,389 | 9,354 | 10,217 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 4,447 | 4,748 | 4,845 |
| Finance costs | | 1,594 | 1,763 | 1,499 |
| Internal charges and overhead costs applied | | 1,446 | 1,485 | 1,448 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 7,486 | 7,997 | 7,793 |
| Operating funding - surplus/(deficit) | (A-B) | 1,903 | 1,357 | 2,423 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | 820 | 784 | 1,726 |
| Increase/(decrease) in debt | | 2,836 | 2,115 | 646 |
| Gross proceeds from sale of assets | | - | - | 187 |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | 3,656 | 2,899 | 2,559 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | 950 | 461 | 917 |
| • to improve the level of service | | 1,122 | 1,127 | 961 |
| • to replace existing assets | | 3,487 | 2,668 | 3,104 |
| Increase/(decrease) in reserves | | - | - | - |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 5,559 | 4,256 | 4,982 |
| Capital funding - surplus/(deficit) | (C-D) | (1,903) | (1,357) | (2,423) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR STORMWATER

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|--------------------------|--------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 1,260 | 1,635 | 1,590 |
| Targeted rates | | 3,571 | 3,741 | 3,717 |
| Subsidies and grants for operating purposes | | 160 | - | - |
| Fees and charges | | - | - | - |
| Internal charges and overhead costs recovered | | - | - | - |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | - | - | 207 |
| Total operating funding | (A) | 4,990 | 5,376 | 5,514 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 752 | 750 | 750 |
| Finance costs | | 1,728 | 1,671 | 1,530 |
| Internal charges and overhead costs applied | | 585 | 601 | 415 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 3,065 | 3,022 | 2,695 |
| Operating funding - surplus/(deficit) | (A-B) | 1,925 | 2,354 | 2,819 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | 733 | 731 | 585 |
| Increase/(decrease) in debt | | (950) | (1,403) | (2,177) |
| Gross proceeds from sale of assets | | - | - | 20 |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | (217) | (672) | (1,572) |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | 100 | 208 | 148 |
| • to improve the level of service | | 640 | 716 | 18 |
| • to replace existing assets | | 968 | 758 | 1,078 |
| Increase/(decrease) in reserves | | - | - | 3 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 1,708 | 1,682 | 1,247 |
| Capital funding - surplus/(deficit) | (C-D) | (1,925) | (2,354) | (2,819) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR NATURAL ENVIRONMENT

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 175 | 178 | 213 |
| Targeted rates | | 313 | 320 | 325 |
| Subsidies and grants for operating purposes | | - | - | - |
| Fees and charges | | - | - | - |
| Internal charges and overhead costs recovered | | - | - | - |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | - | - | - |
| Total operating funding | (A) | 487 | 498 | 538 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 676 | 693 | 627 |
| Finance costs | | (38) | (40) | (3) |
| Internal charges and overhead costs applied | | 45 | 48 | 62 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 684 | 701 | 686 |
| Operating funding - surplus/(deficit) | (A-B) | (197) | (203) | (148) |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | 111 | 184 | 244 |
| Increase/(decrease) in debt | | 1 | 1 | 14 |
| Gross proceeds from sale of assets | | - | - | - |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | 112 | 186 | 257 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | - | - | - |
| • to improve the level of service | | - | - | - |
| • to replace existing assets | | - | - | - |
| Increase/(decrease) in reserves | | (84) | (17) | 109 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | (84) | (17) | 109 |
| Capital funding - surplus/(deficit) | (C-D) | 197 | 203 | 148 |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR WASTEWATER

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 1,418 | 1,884 | 2,003 |
| Targeted rates | | 9,338 | 9,278 | 9,447 |
| Subsidies and grants for operating purposes | | - | - | (476) |
| Fees and charges | | 2 | 2 | 9 |
| Internal charges and overhead costs recovered | | - | - | - |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | - | - | 10 |
| Total operating funding | (A) | 10,757 | 11,164 | 10,993 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 3,728 | 4,138 | 4,497 |
| Finance costs | | 3,651 | 3,527 | 3,443 |
| Internal charges and overhead costs applied | | 1,497 | 1,544 | 1,611 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 8,876 | 9,208 | 9,551 |
| Operating funding - surplus/(deficit) | (A-B) | (1,881) | 1,956 | 1,441 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | 4,024 | 476 |
| Development and financial contributions | | 1,382 | 1,375 | 2,739 |
| Increase/(decrease) in debt | | (2,255) | 391 | (3,417) |
| Gross proceeds from sale of assets | | - | - | 18 |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | (872) | 5,790 | (183) |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | 100 | 831 | 158 |
| • to improve the level of service | | 180 | 5,882 | 386 |
| • to replace existing assets | | 729 | 1,033 | 714 |
| Increase/(decrease) in reserves | | - | - | - |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 1,009 | 7,746 | 1,258 |
| Capital funding - surplus/(deficit) | (C-D) | (1,881) | (1,956) | (1,441) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR SOLID WASTE

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 617 | 639 | 363 |
| Targeted rates | | 1,055 | 990 | 1,031 |
| Subsidies and grants for operating purposes | | 65 | 135 | 200 |
| Fees and charges | | 67 | 71 | 87 |
| Internal charges and overhead costs recovered | | - | - | - |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | 10 | 10 | 101 |
| Total operating funding | (A) | 1,814 | 1,845 | 1,783 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 1,216 | 1,325 | 962 |
| Finance costs | | 30 | 26 | 4 |
| Internal charges and overhead costs applied | | 490 | 504 | 540 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 1,736 | 1,855 | 1,506 |
| Operating funding - surplus/(deficit) | (A-B) | 78 | (9) | 277 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | - | - | - |
| Increase/(decrease) in debt | | (78) | 11 | (271) |
| Gross proceeds from sale of assets | | - | - | - |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | (78) | 11 | (271) |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | - | - | 4 |
| • to improve the level of service | | - | - | - |
| • to replace existing assets | | - | - | - |
| Increase/(decrease) in reserves | | 1 | 2 | 2 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 1 | 2 | 6 |
| Capital funding - surplus/(deficit) | (C-D) | (78) | 9 | (277) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR ECONOMIC

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 715 | 733 | 681 |
| Targeted rates | | 276 | 274 | 271 |
| Subsidies and grants for operating purposes | | - | - | - |
| Fees and charges | | - | - | - |
| Internal charges and overhead costs recovered | | - | - | - |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | 2 | 2 | 3 |
| Total operating funding | (A) | 993 | 1,009 | 955 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 603 | 608 | 598 |
| Finance costs | | (83) | (84) | (70) |
| Internal charges and overhead costs applied | | 124 | 127 | 109 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 645 | 651 | 637 |
| Operating funding - surplus/(deficit) | (A-B) | 348 | 358 | 318 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | - | - | - |
| Increase/(decrease) in debt | | (28) | (27) | (26) |
| Gross proceeds from sale of assets | | - | - | - |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | (28) | (27) | (26) |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | 1,151 | 581 | 1 |
| • to improve the level of service | | - | - | - |
| • to replace existing assets | | - | - | - |
| Increase/(decrease) in reserves | | (831) | (250) | 290 |
| Increase/(decrease) in investments | | - | - | - |
| Total applications of capital funding | (D) | 320 | 331 | 291 |
| Capital funding - surplus/(deficit) | (C-D) | (348) | (358) | (318) |
| Funding balance | ((A-B) + (C-D)) | - | - | - |

WESTERN BAY OF PLENTY DISTRICT COUNCIL: FUNDING IMPACT STATEMENT FOR 30 JUNE 2017 FOR SUPPORT SERVICES

| For the years ended 30 June | | LONG TERM PLAN \$'000 | LONG TERM PLAN \$'000 | ACTUAL \$'000 |
|--|------------------------|-----------------------------|-----------------------------|------------------|
| | | 2016 | 2017 | 2017 |
| Sources of operating funding | | | | |
| General rates, uniform annual charges, rates penalties | | 1,420 | 812 | 1,420 |
| Targeted rates | | 989 | 936 | 989 |
| Subsidies and grants for operating purposes | | - | - | - |
| Fees and charges | | - | - | - |
| Internal charges and overhead costs recovered | | 14,171 | 14,097 | 14,171 |
| Local authority and fuel tax, fines, infringement fees, and other receipts | | 16,010 | 2,097 | 3,000 |
| Total operating funding | (A) | 32,590 | 17,943 | 19,579 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | | 14,842 | 14,011 | 14,842 |
| Finance costs | | 6,281 | 816 | 1,140 |
| Internal charges and overhead costs applied | | 2,004 | 2,205 | 2,004 |
| Other operating funding applications | | - | - | - |
| Total applications of operating funding | (B) | 23,127 | 17,032 | 17,986 |
| Operating funding - surplus/(deficit) | (A-B) | 9,463 | 911 | 1,593 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | | - | - | - |
| Development and financial contributions | | - | - | - |
| Increase/(decrease) in debt | | 2,263 | (760) | 2,263 |
| Gross proceeds from sale of assets | | (66) | 87 | (66) |
| Lump sum contributions | | - | - | - |
| Other dedicated capital funding | | - | - | - |
| Total sources of capital funding | (C) | 2,197 | (673) | 2,197 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| • to meet additional demand | | 2,302 | 71 | 2,302 |
| • to improve the level of service | | - | 588 | - |
| • to replace existing assets | | 1,034 | 440 | 1,034 |
| Increase/(decrease) in reserves | | 378 | (861) | 378 |
| Increase/(decrease) in investments | | 7,944 | - | 76 |
| Total applications of capital funding | (D) | 11,658 | 239 | 3,790 |
| Capital funding - surplus/(deficit) | (C-D) | (9,462) | (911) | (1,593) |
| Funding balance | ((A-B) + (C-D)) | 1 | - | - |