

It's steady as we grow

# Summary Annual Report

For the year ending 30 June 2019



Western Bay of Plenty  
District Council





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## DISCLAIMER

The specific disclosures in this financial summary report have been extracted from the full financial report dated 19 September 2019. It has been prepared in accordance with FRS 43: Summary Financial Reports.

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

The summary has been examined by the auditor for consistency with the full financial report and audited by Audit New Zealand on behalf of the Office of the Auditor-General. An unqualified audit opinion was issued on 19 September 2019.

A copy of the Western Bay of Plenty District Council 2018/19 Annual Report is available to view from Council's Head Office, Barks Corner, Greerton, Tauranga or Council's website at [www.westernbay.govt.nz](http://www.westernbay.govt.nz)



# THE CHIEF EXECUTIVE OFFICER'S INTRODUCTION

For year ended 30 June 2019

2018/19 has been a year of opportunity and challenge for Council.

For much of the period the District continued to realise opportunities resulting from strong growth. 659 properties were added to the rating base bringing the total to 23,691. Income from financial contributions was \$9.82m higher than budget of \$8.79m, totalling \$18.61m.

Despite these positives, subdivision and development applications began to 'throttle off' in the latter half of the year. Non-notified subdivision consents were down to 153, compared to 199 in 2017/18 and land use consents up from 50 in 2017/18 to 245 this year.

## Strong financial position

While these figures highlight some potential challenges ahead, Council is well positioned to deal with them.

Stronger than expected financial contribution income meant Council could pay down debt faster and reduce the overall interest expense over the year.

Council's gross external debt reduced to \$110m, down from \$125m in 17/18. Net debt per ratepayer reduced from \$4,468 last year to \$3,474 this year reflecting both lower debt and a larger ratepayer base. Being in this position means Council has borrowing headroom to withstand next year's expected drop in financial contributions and development related income to continue to build essential infrastructure.

These results validate a continued strong focus on prudent debt management and keeping a tight control of operational and capital expenditure, while not impacting levels of service.

## Highlights

Keeping up with growth has meant delivering an annual capital works programme, \$34,919m, of which \$21,805m was upgrades to roads in urban areas and substantial investment in stormwater assets, the majority of which are in Omokoroa.

Other highlights include:

- Completing the new library and service centre in Katikati, Pātuki Manawa, in August 2018
- Opening new cycleways in the east and west of the District
- TECT Park won the internationally recognised inaugural Supreme Green Flag Award for park management
- Commissioning the Ongare Point wastewater scheme and progressing significant upgrades to the Te Puke Wastewater treatment plant
- 13.9km of seal extensions
- Major consent renewals for wastewater at Katikati and Te Puke.

## A changing Central Government environment

We remain committed to collaborating with other local authorities in our region, including responding to changes being implemented by the Government, particularly priorities relating to transport, housing and the 'three waters'.

The SmartGrowth collaborative approach, is being used to pilot the Urban Form and Transport Initiative (UFTI). This will test ways of integrating planning for land use, housing, transport and regional development.

The Smart Housing Action Framework is part of this. It focuses on increasing the supply of affordable one and two bedroom homes and providing a better mix of housing types, tenures and sizes.

The outcomes of UFTI are critical to being able to deliver on land and housing provision. Fundamental to delivery is the need for secure funding tools and a partnership approach with Central Government to make this happen.

## Looking ahead

Macro economic forces, nationally and globally, are likely to continue to have a slow-down effect on growth in the Western Bay. Against this background, Council will remain focused on prudently managing expenditure and looking for opportunities to improve efficiency and effectiveness.

My thanks to elected members and Council staff for their cooperation, expertise and willingness to work as a team for the benefit of residents across the Western Bay of Plenty.



Miriam Taris  
Chief Executive Officer  
**Western Bay of Plenty  
District Council**



# THE DISTRICT AT A GLANCE - KEY FACTS

## Industry



### GDP

9.0% Annual GDP growth vs 6.2% national average.  
\$35,365 per capita GDP vs \$56,441 nationally (March 2017)



### JOBS

2.3% growth in employment vs 3.0% nationally 67.1% employment rate vs 67.7% nationally (June 2018).



### PRIMARY SECTOR

Kiwifruit grower returns up 6% in 2018 to \$1.47 billion. BOP accounts for 81%.

Avocado returns: \$200m in 2016/17 \$150m in 2017/18  
Goal of \$280m by 2023. BOP accounts for 60%.



### BUILDING INDUSTRY

2018/2019 building consent value of \$248m vs \$258.7m in 2017/2018

81.6 new dwelling approvals per 10,000 population vs 68.1 nationally (May 2018)

## District



### PEOPLE

- Estimated population **50,100**.
- **58%** rural, **42%** urban.
- Projected population of 66,500 by 2043.



### LAND

- **212,000** hectares.
- **202** kilometres of harbour.
- **55** kilometres of ocean beach.
- Outstanding soil conditions that grow a basket of 'super foods' like kiwifruit, avocados and dairy, beef and lamb products.



### COMMUNITY

- Rich tapestry of small, thriving communities, with a strong sense of place, resilience and ability to adapt.
- **Three wards:**
  - Katikati, Waihi Beach
  - Kaimai
  - Te Puke, Maketu



### CUSTOMERS

- **22,016** ratepayers.
- **73%** connected to council water supply.
- **45%** connected to council wastewater treatment and disposal.

# COUNCIL AT A GLANCE - KEY FACTS



Council currently owns **\$1.48 billion** worth of physical assets as at 30 June 2019.



Net debt is **\$80 million** as at 30 June 2019.



Overall the District has equity of **\$1.35 billion** as at 30 June 2019.



**\$35 million** of capital expenditure was spent on infrastructure and assets in 2018/19.



**\$133.8 million** of total income generated in 2018/19.



**\$69 million** of rates income generated in 2018/19.

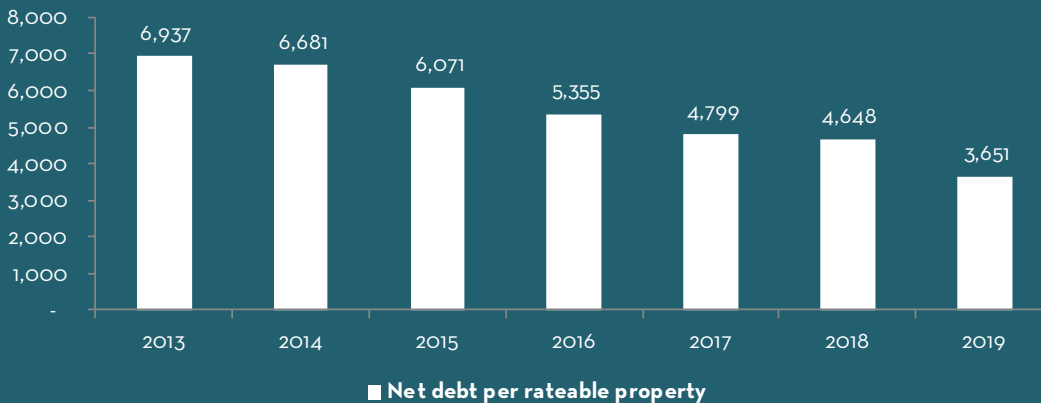
## Our debt

Net debt per rateable property



Rates covered **74.8 percent** of the operational cost of running the District.

### Net debt per rateable property





# ROLE OF THIS SUMMARY ANNUAL REPORT

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

## PLANNING AND REPORTING FRAMEWORK

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

### LONG TERM PLAN (LTP)

**(Section 93 of the Local Government Act 2002)** identifies Western Bay Council's plans for the Western Bay over a 10 year period. It is reviewed every three years. Western Bay Council's latest LTP was agreed in 2018.

### ANNUAL PLAN

**(Section 95 of the Local Government Act 2002)** is produced in the two intervening years between each LTP. It outlines any significant changes Council has made to the LTP and contains the annual budget.

## ANNUAL REPORT

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

## SUMMARY ANNUAL REPORT

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

## Bringing the planning process together

### Community Outcomes

How the Community wants the District to be.

### Long Term Plan

How the council will go about achieving the Community Outcomes

### Annual Report

What was achieved

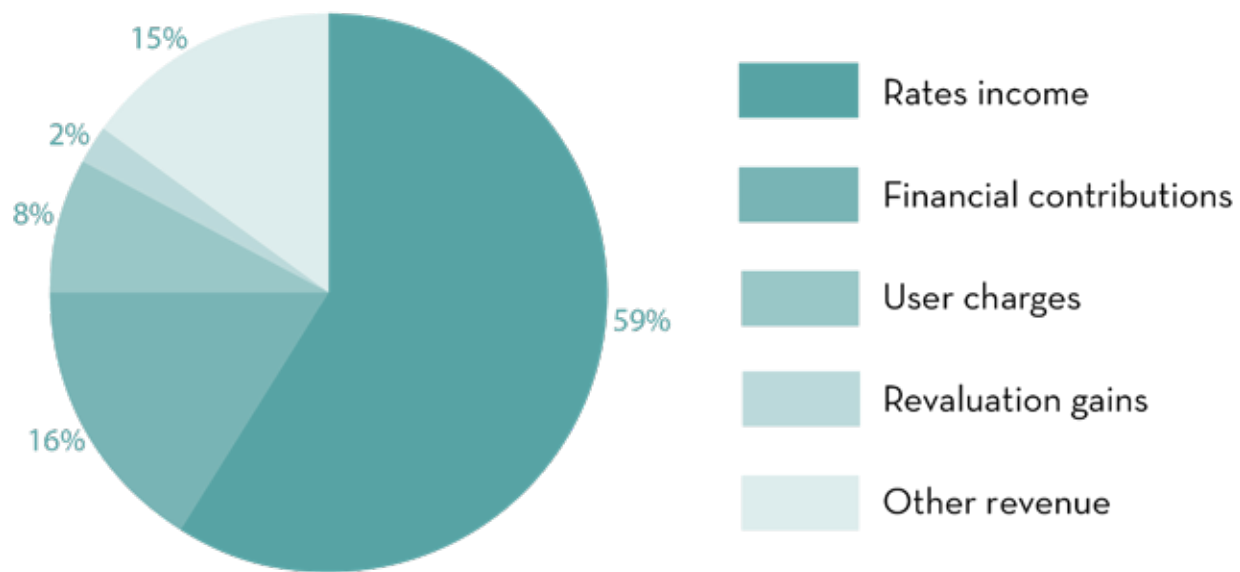
### Annual Plan

Annual Budget

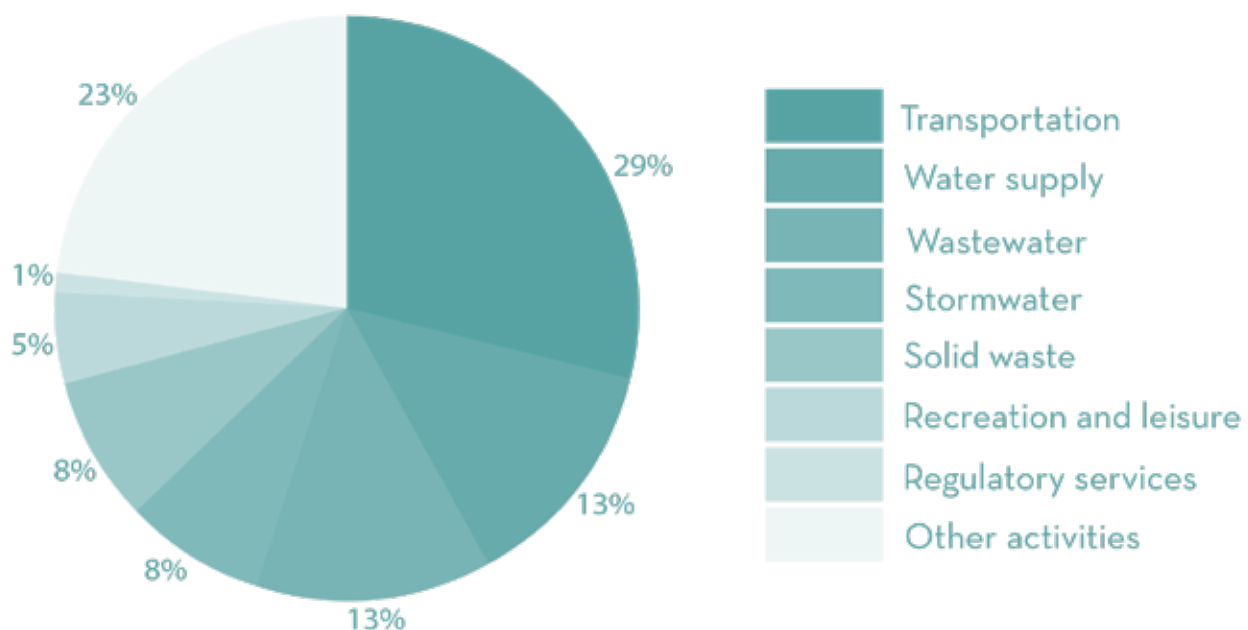
# FINANCIAL SUMMARY OVERVIEW

Western Bay Council has reported a net surplus of \$41.2 million compared with a budgeted operating surplus of \$10.4 million. The major contributor to this increased surplus was financial contributions, vested assets and gains from asset revaluation.

## Council Revenue 2018/19 (excluding vested assets) **\$117.8m**



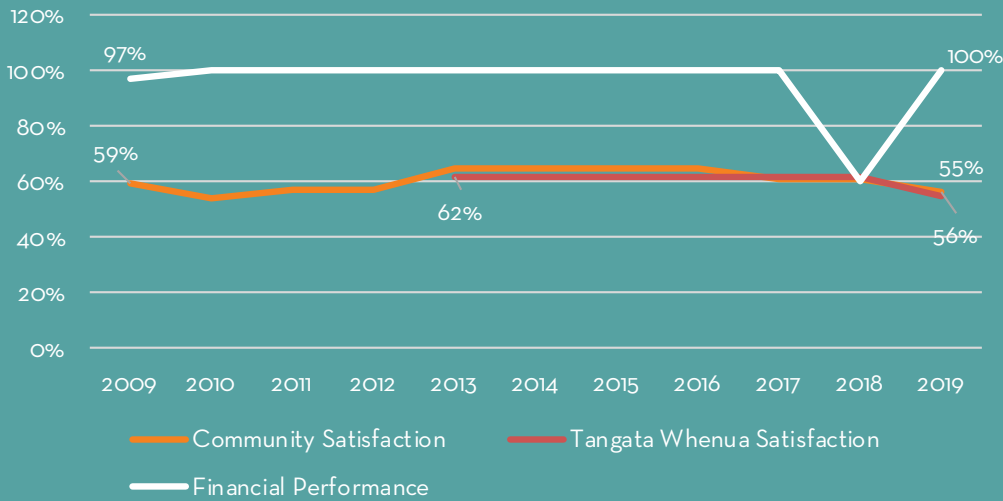
## Council Operating Expenditure 2018/19 **\$92.5m**



# KEY PERFORMANCE MEASURES - RESULTS

## LEADERSHIP

### Representation



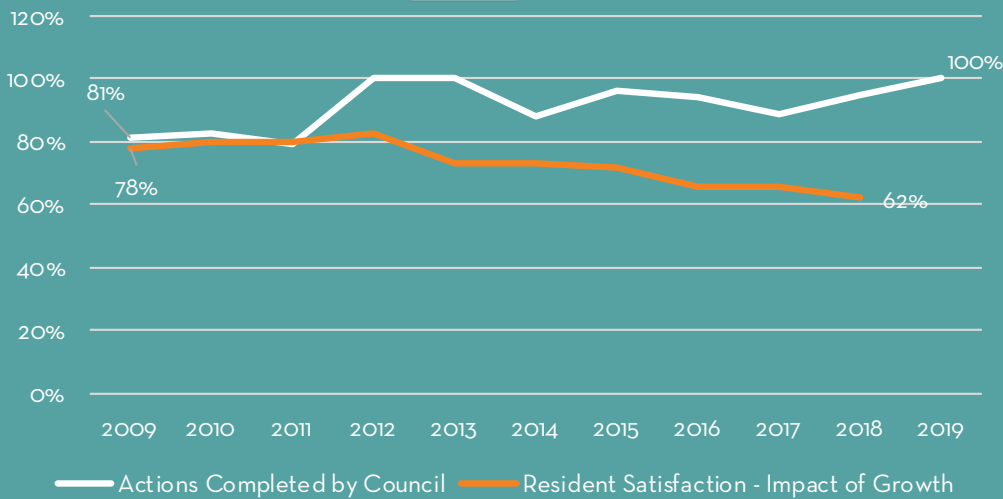
#### Council Financial Performance.

The financial performance index monitors Council's financial trends and level of compliance with the Treasury Policy. In 2019 there was 100% compliance with Treasury Policy ratios.

#### Satisfaction with Council Performance.

This monitors the level of community and tangata whenua satisfaction. The community satisfaction with Councillor and Community Board representation was 56%. The level of tangata whenua satisfaction with the Partnership Forum was 55%.

### Planning for the Future



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

100% of the actions scheduled for 2018/19 year were completed. Work included an Amendment to the Long Term Plan and 5 Bylaw reviews.

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

The factors monitored include lifestyle, range of housing choices, personal and road safety, travel time, and employment opportunities. There was no survey in 2019. The next survey is scheduled for 2020.

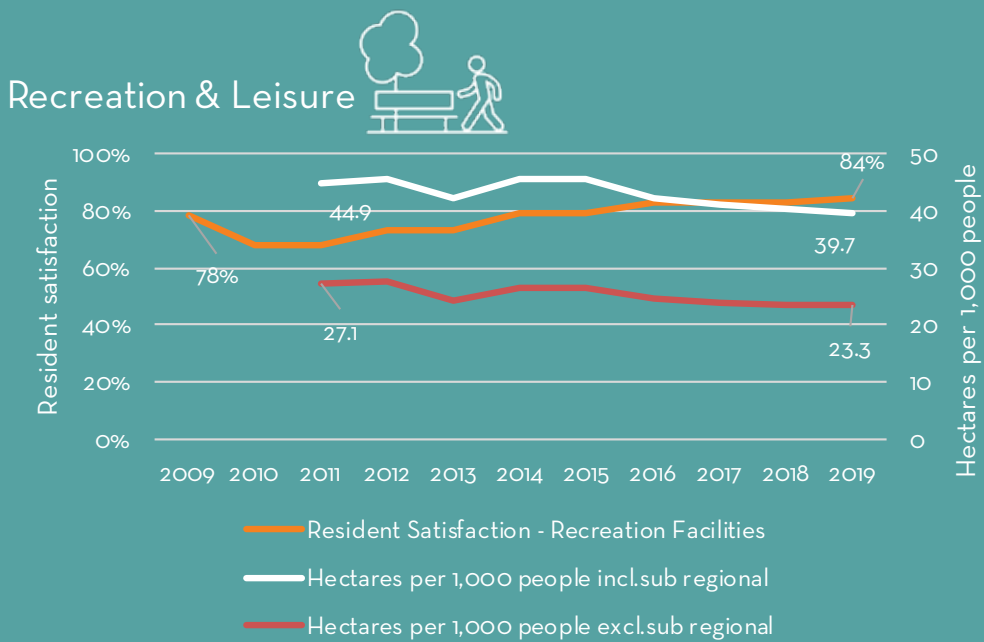


## BUILDING COMMUNITIES



**Action completed by Council as identified in the Communities Action Plan.**  
 93% of the actions scheduled for the 2019 year were completed. This included the management of cemeteries, community halls, library operations and community safety initiatives.

**Resident satisfaction with Community Development.**  
 On a two yearly basis, this survey monitors satisfaction with the community development programme. The 2019 survey revealed an 85% satisfaction.



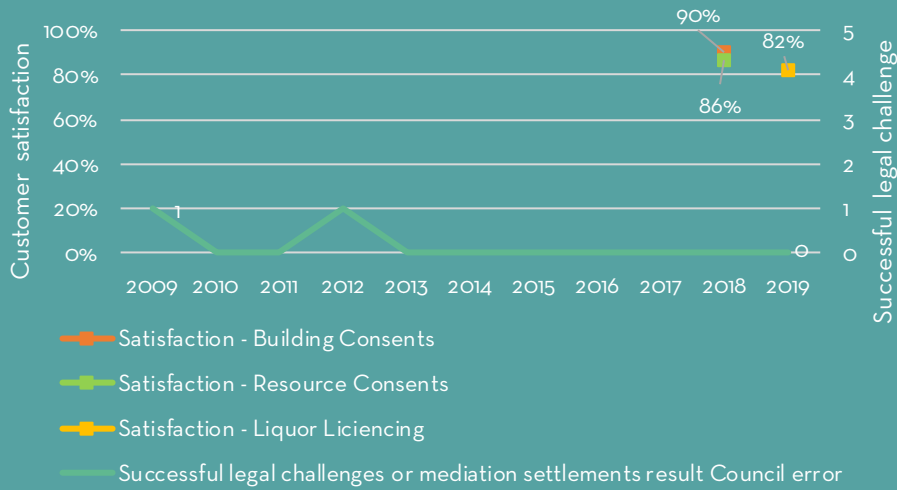
**Recreational Services provided per 1,000 people.**  
 This monitors the park land available in the district per 1,000 people. The 2019 result shows that the reserve land available per 1,000 people is continuing to decline. This is due to the consistent population growth within the District.

**Resident satisfaction with Reserves & Recreational Facilities & Amenities.**  
 This survey monitors residents satisfaction with reserves and recreational facilities and amenities. The 2019 survey revealed 84% satisfaction.



# BUILDING COMMUNITIES

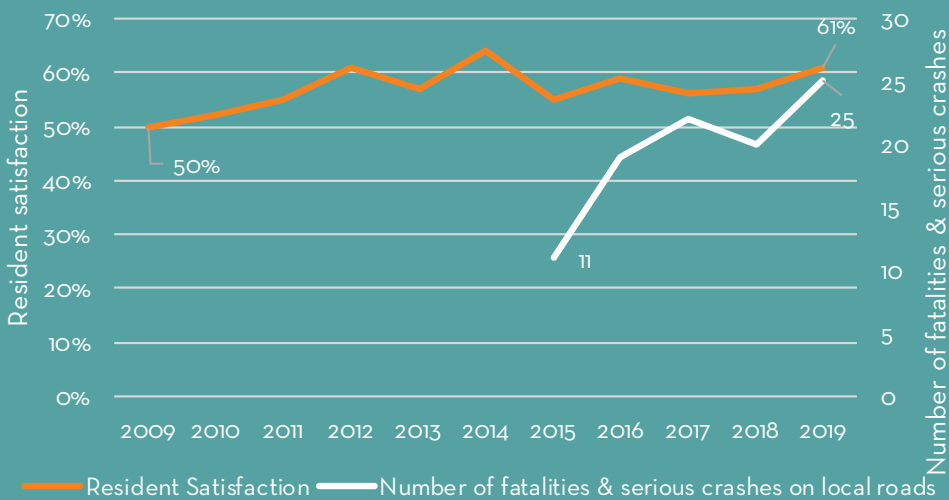
## Regulatory Services



**Successful legal challenges or mediation settlements as a result of Council error.**  
 This monitors instances where there has been a successful legal challenge or mediation settlements as a result of Council error. In 2019 there were no successful challenges as a result of Council error.

**Customer satisfaction with Regulatory Services.**  
 The survey for all alcohol liquor licensed premises revealed a satisfaction level of 82%. The animal services survey was not completed in 2019 but has been deferred to 2020. Building and Resource Consents will be surveyed again in 2020.

## Transportation



**Number of fatalities and injury crashes on the local road network.**  
 In 2019 there were 25 fatality and serious injury crashes on our local road network. This is an increase of five from 2018. This has been impacted by the considerable growth within the District and the increased number of vehicles on our road network.

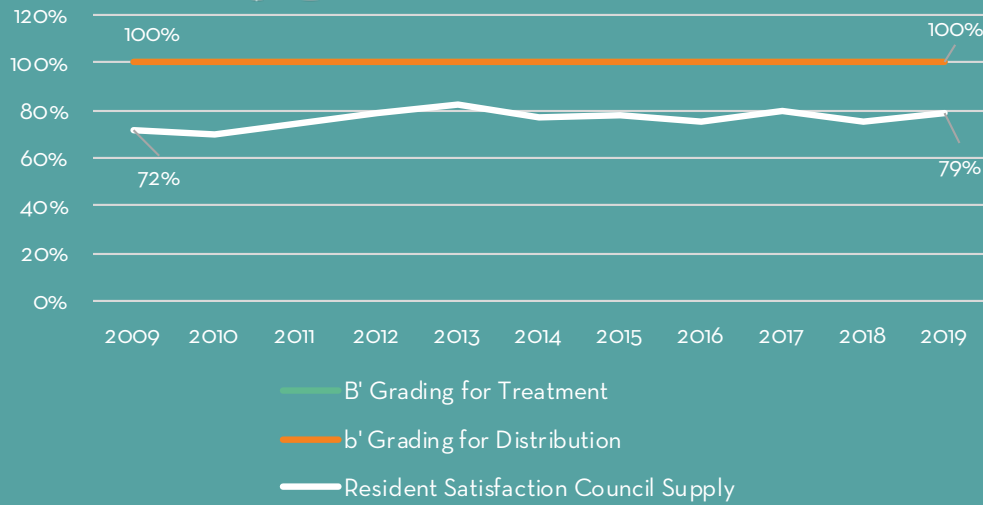
**Resident satisfaction with Transportation.**  
 This survey monitors the level of satisfaction with roading, cycleways and walkways. In 2019 the level of satisfaction increased to 61% from 57% in 2018.





# BUILDING COMMUNITIES

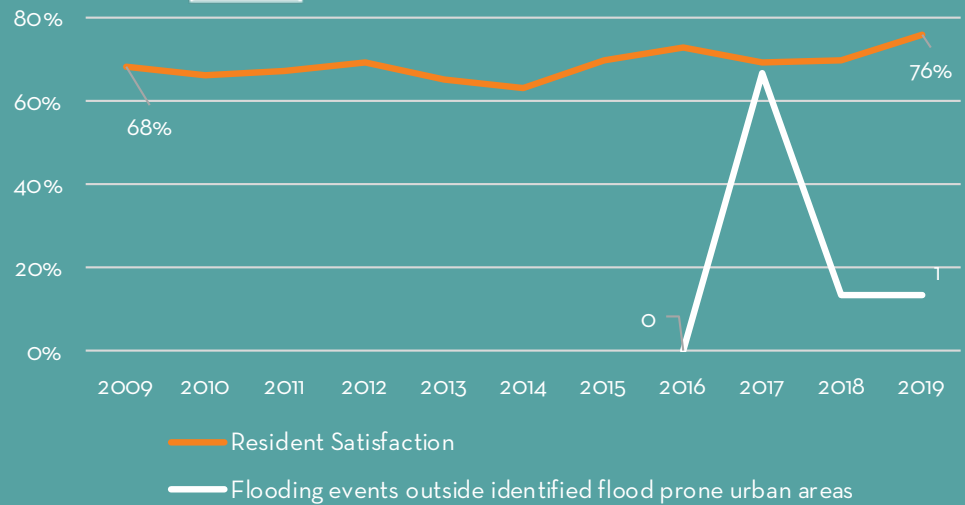
## Water Supply



**Water supply with Ministry of Health grading 'Bb' for treatment and distribution**  
 For the Council supply areas 100% achieved a 'B' grading for treatment, and 100% achieved 'b' for distribution.

**Resident satisfaction with the quality of Council Water Supply.**  
 This survey monitors the level of satisfaction with the Council water supply. In 2019 the level of satisfaction increased to 79%. Key reasons for dissatisfaction was taste and high level of chemicals.

## Stormwater



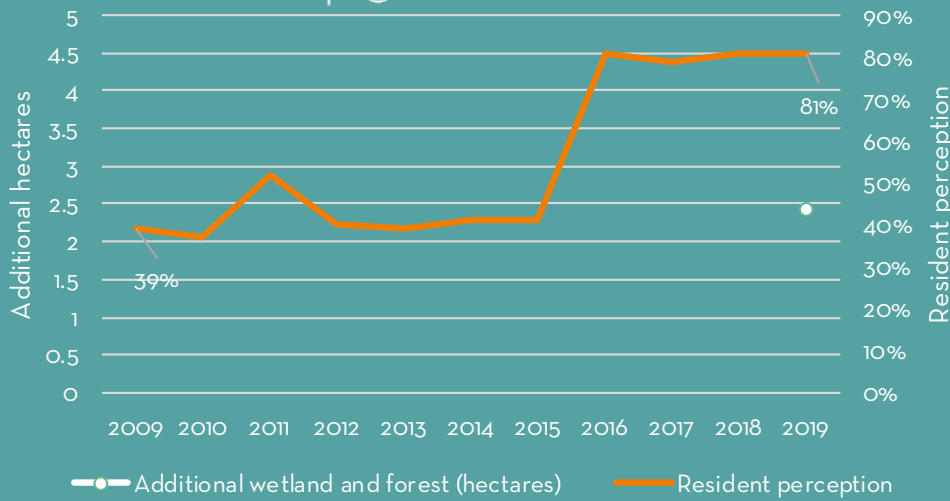
**Number of flooding events outside identified flood prone areas.**  
 This monitors flooding that occurs in areas outside identified flood prone areas. In 2019 there was one flood event outside a flood prone area.

**Resident satisfaction with Stormwater systems.**  
 The level of satisfaction with stormwater systems in 2019 is 76%. This is a slight increase from the 2018 result of 70%. Key reasons for dissatisfaction relates to the maintenance and capacity of the drains and flooding of the roads.



# PROTECTING THE ENVIRONMENT

## Natural Environment



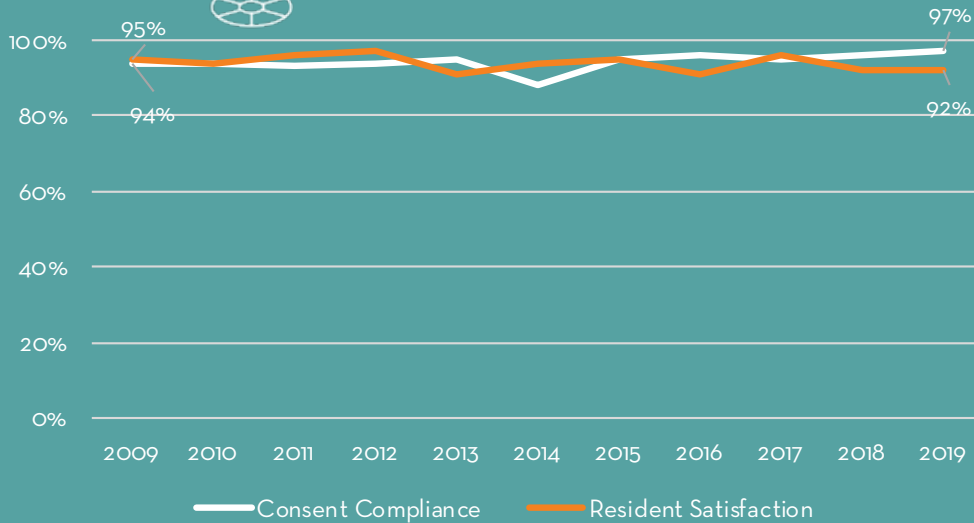
### Additional land included in protection lots.

There was an additional 1.7km riparian land, 1.44 hectares of wetland and 1.0 hectares of forest and shrub land. This is less than anticipated due to a reduction in the number of protection lot subdivisions.

### Resident perception of an improvement in environmental features.

2019 result is consistent with 2018 at 81%. From 2016 monitoring included those who perceive the environmental attributes have been maintained i.e. it is neither better or worse. Environmental features include quality of streams, harbours & estuaries, air quality etc.

## Wastewater



### Level of compliance with resource consents.

All wastewater treatment plants are monitored to ensure compliance with resource consent conditions. In 2019 targets at all treatment plants were achieved.

### Resident satisfaction with sewage disposal systems.

The level of satisfaction with Council sewage disposal systems is 92%. this is consistent with 2018. Key reasons for dissatisfaction was reliability and environmentally poor.





## PROTECTING THE ENVIRONMENT



### Actions completed by Council as defined in the Solid Waste work programme

83% of the actions scheduled for the 2019 year was completed. There was a delay in the implementation of the Trade Waste Bylaw. This will be done in the 2019/20 year.

### Resident satisfaction with household rubbish disposal methods

The level of satisfaction with household disposal methods was 74% in 2019. Key reason for dissatisfaction is based on location i.e. residents are outside of collection area, or the recycle centres are too far away.

## SUPPORTING OUR ECONOMY



### Economic contracts where key contract requirements were achieved

All economic contractors met the requirements of their contract. Key contractors include Priority One, Tourism Bay of Plenty and the town centre promotion agencies.

### Resident satisfaction with Council's role in promoting business & employment opportunities

This survey monitors satisfaction with town centre promotion, events, tourism, business support, and promotion of business and employment opportunities. In 2019 the level of satisfaction was 67% a slight increase from 2018.



## SUPPORT SERVICES

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

## 2018/19 HIGHLIGHTS

Council has developed and launched a new internal reporting tool which gives managers and Elected Members greater visibility and planning ability for Council projects and budgets.

Council has created a blueprint for its Business Continuity Management Plan to increase resilience should a disruptive event occur.

## FUTURE INITIATIVES

Council will continue to participate in the BOPLASS initiatives.

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





# SUMMARY EXTRACT FROM THE STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019

## 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 2019. The financial statements were authorised for issue by Council on 19 September 2019.

## 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 2019 financial statements.

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

Standards, and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council are:

### Interests in other entities

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34-38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6-8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council do not expect the impact of this standard to have a material effect on the financial forecasts.

### Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council do not expect the impact of this standard to have a material effect on the financial forecasts.



## Employee benefits

In May 2017, the XRB issued PBE IPSAS 39 Employee Benefits. PBE IPSAS 39 replaces PBE IPSAS 25 Employee benefits. PBE IPSAS 39 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Council plans to apply the new standard in preparing the 30 June 2020 financial statements. The Council do not expect the impact of this standard to have a material effect on the financial forecasts.

## Service Performance Reporting

In November 2017, the XRB issued PBE FRS 48 Service Performance Reporting. PBE IPSAS 48 is effective for annual periods beginning on or after 1 January 2021, with early adoption permitted. The Council plans to apply the new standard in preparing the 30 June 2022 financial statements. The Council do not expect the impact of this standard to have a material effect on the financial forecasts.

## Cash Flow Statements

*Disclosure Initiative* (Amendments to IAS 7), issued by the IASB in January 2016, amended IAS 7 *Statement of Cash Flows* to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial assets. The IPSASB subsequently amended IPSAS 2 *Cash Flow Statements* in *Improvements to IPSAS, 2018* and the NZASB amended PBE IPSAS 2 in *2018 Omnibus Amendments to PBE Standards*. The Council plans to apply the new standard in preparing the 30 June 2022 financial statements. The Council do not expect the impact of this standard to have a material effect on the financial forecasts.

## Changes in Accounting Policies

There have been no other changes in accounting policies.

## 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.

### 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 as follows.

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

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

### Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2019:

#### 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. TCC are the legal owners of the land and Western Bay Council are the beneficial or equitable owners of the jointly owned land. Western Bay Council own 14.45% of the jointly owned land. The jointly acquired land is held by TCC on trust for itself and Western Bay Council. As the legal owner TCC must exercise its rights of ownership in terms of the trust and for the benefit of the trustees.

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

#### Classification of property

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

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

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



# SUMMARY FINANCIAL REPORTS

## WESTERN BAY OF PLENTY DISTRICT COUNCIL

### STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2019

FOR THE YEAR ENDED 30 JUNE	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2019	2019	2018
Revenue from non-exchange transactions			
Fees and charges from activities	8,878	6,170	9,131
Rate revenue	69,284	67,998	65,044
Fines	200	253	177
Vested assets	15,891	2,240	10,965
Financial contributions	18,605	8,786	9,506
Subsidies and grants	12,423	9,487	15,994
Other revenue	547	360	503
Fair value movement in derivative financial instruments	-	-	794
Gains	2,963	-	33,055
<b>Revenue from non-exchange transactions total</b>	<b>128,792</b>	<b>95,294</b>	<b>145,169</b>
Revenue from exchange transactions			
Finance revenue	1,507	779	1,468
Dividends	146	-	132
Rental Revenue	1,048	858	1,001
Other exchange revenue	2,268	1,058	1,227
<b>Total revenue</b>	<b>133,762</b>	<b>97,990</b>	<b>148,997</b>
Expenditure			
Other expenses	40,807	38,162	36,290
Personnel costs	20,720	20,662	18,588
Depreciation	20,484	20,375	18,678
Amortisation	887	432	916
Unrealised hedging movement	2,808	-	-
Finance costs	6,874	8,000	7,920
<b>Expenditure total</b>	<b>92,580</b>	<b>87,630</b>	<b>82,392</b>
Share of associate surplus/(deficit)	5		(16)
<b>Net surplus / (deficit)</b>	<b>41,186</b>	<b>10,359</b>	<b>66,589</b>
Other comprehensive revenue and expenses			
Gains/(Losses) on asset revaluations	25,595	30,319	65,960
Reversal of impairment	2	-	-
Other assets at fair value through other comprehensive revenue and expense	45	-	78
<b>Total other comprehensive revenue and expense for the year</b>	<b>25,642</b>	<b>30,319</b>	<b>66,040</b>
<b>Total comprehensive revenue and expense for the year</b>	<b>66,828</b>	<b>40,679</b>	<b>132,629</b>

# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2019

*Western Bay Council has reported a net surplus of \$41.2 million compared with a budgeted operating surplus of \$10.4 million. The major contributor to this increased surplus was financial contributions, vested assets and gains from asset revaluation.*

### **The major contributors to the variance were:**

- Strong regulatory NZTA funding for operating expenses and additional connection fees to new Council wastewater and water supply networks.
- Additional rates revenue is primarily due to additional metered water consumption of \$953k.
- Due to strong growth in the District year-on-year, financial contributions of \$18.605m were \$9.819m higher than budget of \$8.786m.
- Vested assets income of \$15.891m is \$13.651m higher than budget of \$2.240m. This is due to higher levels of assets being vested in Council.
- Subsidies and grants income of \$12.423m was \$2.936m higher than budget of \$9.487m due to timing and availability of capital works eligible for NZTA funding.
- Gains income of \$2.963m predominantly relates to the revaluation movements of Council held assets across most activities.
- Other revenue was \$2.409m higher than budget. This is predominantly due to movements in rental income, dividend income and petrol tax income.
- Other expenses were \$2.641m higher than budget due to higher costs associated with the sale of assets and additional costs incurred delivering operational contracts.
- Personnel costs of \$20.720 is \$0.58m higher than budget of \$20.662m. This is due to new roles filled throughout the year.
- Depreciation and amortisation costs of \$21.371m is \$0.564m higher than the budget of \$20.807m.
- Finance costs realised of \$6.874m were \$1.126m lower than budget of \$8.000m.
- Unrealised hedging movement of \$2.808m were unbudgeted.





# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2019

	RETAINED EARNINGS	ASSET REVALUATION RESERVE	COUNCIL RESERVES	TOTAL EQUITY
	ACTUAL \$'000'S	ACTUAL \$'000'S	ACTUAL \$'000'S	ACTUAL \$'000'S
<b>Balance at 1 July 2017</b>	784,184	341,279	29,822	1,155,285
Total comprehensive income for the year	65,787	65,960	883	132,629
<b>Balance at 30 June 2018</b>	<b>849,971</b>	<b>407,239</b>	<b>30,705</b>	<b>1,287,915</b>
Total comprehensive income for the year	39,749	25,595	1,484	66,828
<b>Balance at 30 June 2019</b>	<b>889,720</b>	<b>432,835</b>	<b>32,189</b>	<b>1,354,744</b>

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2019	2019	2018
<b>Total equity</b>	<b>1,354,744</b>	<b>1,237,689</b>	<b>1,287,915</b>
<b>Assets</b>			
<sup>1</sup> Total current assets	42,172	12,592	41,753
<sup>2</sup> Total non-current assets	1,456,281	1,372,434	1,400,753
<b>Total assets</b>	<b>1,498,454</b>	<b>1,385,026</b>	<b>1,442,486</b>
<b>Liabilities</b>			
Total current liabilities	22,864	26,837	45,837
Total non-current liabilities	120,846	120,500	108,734
<sup>3</sup> <b>Total liabilities</b>	<b>143,710</b>	<b>147,337</b>	<b>154,571</b>
<b>Net assets</b>	<b>1,354,744</b>	<b>1,237,689</b>	<b>1,287,915</b>

### MAJOR VARIANCES

- <sup>1</sup> Investments and financial assets were \$14.585 million lower than last year. This decrease reflects the reduction in short term deposits year-on-year.
- <sup>2</sup> Property, plant and equipment was \$52.973 million higher than last year. The increase reflects capitalisation of completed projects and revaluation of existing assets.
- <sup>3</sup> Borrowings were \$15.000 million lower than last year and reflects the \$25.000m maturity repaid in March 2019 less the additional \$10.000m borrowed during the year.

# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2019

FOR THE YEAR ENDED 30 JUNE	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2019	2019	2018
Cash flows from operating activities			
Receipts from rates revenue	69,435	63,906	65,544
Regional Council rates	7,926	6,538	5,865
Interest received	919	413	1,824
Dividends received	146	-	132
Receipts from other revenue	48,107	31,175	32,812
Payments to suppliers and employees	(61,519)	(58,143)	(52,193)
Interest paid	(6,874)	(8,000)	(7,920)
Regional Council rates	(7,926)	(6,538)	(5,865)
Goods and services tax (net)	408	-	(1,136)
<b>Net cash from operating activities</b>	<b>50,621</b>	<b>29,351</b>	<b>39,063</b>
Cash flows from investing activities			
Receipts from sale of property, plant and equipment	9,616	85	1,654
Purchase of property, plant and equipment	(42,378)	(39,301)	(38,232)
Purchase of intangible assets	(207)	-	(531)
Purchase of investments	-	80	-
Sale of Investments	15,220	-	20,017
<b>Net cash from investing activities</b>	<b>(17,749)</b>	<b>(39,136)</b>	<b>(17,092)</b>
Cash flows from financing activities			
Proceeds from borrowings	10,000	20,000	-
Repayment of borrowings	(25,000)	(25,000)	(25,000)
<b>Net cash from financing activities</b>	<b>(15,000)</b>	<b>(5,000)</b>	<b>(25,000)</b>
Net (decrease)/increase in cash held	17,872	(14,785)	(3,029)
Cash, cash equivalents and bank overdrafts at the beginning of the year	11,750	16,505	14,779
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>29,622</b>	<b>1,720</b>	<b>11,750</b>

### MAJOR VARIANCES TO BUDGET WERE

**2019 actual movement was a net increase in cash held of \$17,872 million versus a budgeted net decrease of \$14.785 million and actual 2018 net decrease in cash held of \$3.029 million.**

**Net cashflows from operating activities of \$50.621 million versus a budgeted net increase of \$29.351 million and last year actual of \$39.063 million.**

Rates revenue has increases by \$3.740 million due an increased amount of rateable properties in the district and higher consumption of metered water. Other revenue income has increased by \$16.196 million due to increased development in the District. This has been offset by increased payment to suppliers of \$9.302 million.

**Net Cashflows from investing activities of (\$17.749 million) versus (\$39,136 million) budget and last year actual of (\$17.092 million).**

This is due to \$42.389 million purchases of property, plant and equipment made during the year, offset by \$9.660 million from property disposals and the maturity of a long dated 2018 term deposit of \$14,983.

**Net Cashflows from financing activities of (\$15.000 million) versus (\$5.000 million) budget and last year actual of (\$25.000 million).**

This reflects Council's repayment of a \$25,000 million maturity during the year, partially offset by additional borrowings made from the LGFA of \$10.000 million during the year.



# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## SUMMARY OF COST OF SERVICES

### TOTAL OPERATING REVENUE

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2019	2019	2018
Significant activities			
Representation	3,358	3,774	2,704
Planning for the future	2,860	2,656	2,309
Communities	7,404	7,096	8,989
Recreation and leisure	14,162	9,427	27,138
Regulatory services	9,737	8,682	8,027
Transportation	31,274	25,094	38,687
Water supply	18,474	11,893	14,209
Stormwater	15,344	6,579	10,805
Natural environment	1,047	851	812
Wastewater	21,989	14,607	18,741
Solid waste	1,949	2,117	2,113
Economic	1,082	1,080	967
Council services	5,083	4,135	13,496
<b>Total operating revenue by activity</b>	<b>133,762</b>	<b>97,990</b>	<b>148,997</b>
<b>Council services</b>	<b>133,762</b>	<b>97,990</b>	<b>148,997</b>

### TOTAL OPERATING EXPENDITURE

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2019	2019	2018
Significant activities			
Representation	2,942	3,773	2,635
Planning for the future	2,632	2,479	2,239
Communities	7,770	7,297	6,145
Recreation and leisure	7,443	7,179	6,788
Regulatory services	9,750	8,719	8,048
Transportation	18,687	19,365	19,853
Water supply	14,230	12,416	11,131
Stormwater	4,230	4,358	4,072
Natural environment	702	900	717
Wastewater	12,976	12,998	12,899
Solid waste	1,357	1,919	1,889
Economic	727	708	626
Council services	9,134	5,528	5,350
<b>Total operating expenditure by activity</b>	<b>92,580</b>	<b>87,630</b>	<b>82,392</b>
<b>Council services</b>	<b>92,580</b>	<b>87,630</b>	<b>82,392</b>

# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## STATEMENT OF COMMITMENTS AT 30 JUNE 2018

	ACTUAL \$'000 2019	ACTUAL \$'000 2018
<b>Capital commitments approved and contracted</b>	<b>17,232</b>	<b>18,696</b>
<b>Non-cancellable operating lease commitments Plant and equipment</b>		
Not later than one year	131	106
Later than one year and not later than two years	66	89
Later than two years and not later than five years	124	72
Later than five years	1447	905
<b>Total non-cancellable operating leases</b>	<b>1,767</b>	<b>1,172</b>

### 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 2019 \$31.20 million remained committed on this contract for the remaining 40 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 2019 \$3.559 million remained committed on this contract for the remaining 12 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.





## Contingent liabilities

	ACTUAL \$'000	ACTUAL \$'000
	2019	2018
Building Act claims	50	50
Weathertight Homes Resolution Service (WHRS)	400	400
Local Authority Protection Programme Disaster Fund (LAPP)	-	-
<b>Total contingent liabilities</b>	<b>450</b>	<b>450</b>

## OTHER LEGAL PROCEEDINGS

### Building Act Claims

The Building Act 2004 imposes certain obligations and liabilities on local authorities in respect to the issue of building consents and inspection of work done. At the date of this report, there were no matters under the Act indicating potential liabilities (2018: \$Nil). The \$50,000 disclosed relates to the expected cost to Western Bay District Council. The balance is expected to be covered through insurance.

### Unquantified Claims

There were no additional claims lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2019 (2018: NIL). These claims relate to weather-tightness issues of homes in the Western Bay of Plenty District area and name Western Bay of Plenty District Council as well as other parties. One of these claims have been closed. There are a total of 5 claims that are still open as at balance date (2018: 7).

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

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

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

Other outstanding legal claims are not yet able to be quantified as at 30 June 2019.

### Carter Holt Harvey Limited

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.

During the year, a group of homeowners initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the shadow clad plywoof cladding sheets manufactured and distributed by CHH. CHH has joined 19 Councils as co-defendants in this claim. At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

### 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 2019 there were 31 (2018: 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 \$20 million in aggregate which can be called on in the event that an imminent default is identified. The shareholders are also guarantors of the LGFA balance sheet and the borrowings of all other local authorities which totalled \$9,840m (2018: \$8,715m) at 30 June.

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

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

### Share of associates' contingent liability

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

## RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or

less favourable than those that it is reasonable to expect the Western Bay Council would have adopted in dealing with the party at arm's length in the same circumstances.

## TRANSACTIONS WITH COUNCILLORS AND KEY MANAGEMENT PERSONNEL

### Transactions with Councillors and key management personnel compensation

	ACTUAL \$'000	ACTUAL \$'000
	2019	2018
<b>Councillors</b>		
Full-time equivalent members	17	17
Salaries and other short term employee benefits	579	519
<b>Senior Management Team, including the Chief Executive</b>		
Full-time equivalent members	5	5
Salaries and other short term employee benefits	1,347	1,283
<b>Total senior management remuneration</b>	<b>1,948</b>	<b>1,802</b>

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

An analysis of Councillor remuneration and further information on Chief Executive remuneration is provided in Note 38 of the Annual Report 2018-19 from page 182-183.

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

### ELECTED MEMBER REMUNERATION

	ACTUAL \$'000	ACTUAL \$'000
	2019	2018
Councillors	579	519
Community board members	120	108
<b>Total elected member remuneration</b>	<b>699</b>	<b>627</b>



## Independent Auditor's Report

### To the readers of Western Bay of Plenty District Council's summary of the annual report for the year ended 30 June 2019

The summary of the annual report was derived from the annual report of the Western Bay of Plenty District Council (the District Council) for the year ended 30 June 2019.

The summary of the annual report comprises the following summary statements on pages 7 to 24:

- the summary statement of financial position as at 30 June 2019;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2019;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of key performance measures.

### Opinion

In our opinion:

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

### Summary of the annual report

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

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

### The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2019 in our auditor's report dated 19 September 2019.

# AUDIT REPORT

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

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

## **Auditor's responsibility**

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

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

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



Clarence Susan,  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
19 September 2019