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# Summary Annual Report

For the year ending 30 June 2020



*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 24 September 2020. 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 24 September 2020.

A copy of the Western Bay of Plenty District Council 2019/20 Annual Report is available to view from Council's Head Office, Barkes Corner, Greerton, Tauranga or Council's website at [www.westernbay.govt.nz](http://www.westernbay.govt.nz)





Work will also continue with neighbouring councils, central government and key agencies to progress the development of the sub-region. The Urban Form and Transport Initiative adopted in June is a key initiative within this - outlining the plans to integrate growth and transport planning in the sub-region in the long term (50+ years).

We're incredibly excited about starting work on the following projects which will provide economic stimulus right across the District:

- Rangiuru Business Park after receiving \$18m in funding from central government as part of the Provincial Growth Fund.
- A \$28m package of roading and water projects out at Omokoroa thanks to a \$14m grant through central government's Crown Infrastructure Partners fund.
- Waka Kotahi NZ Transport Agency beginning construction of the \$478m Tauranga Northern Link - a 6.8 km four-lane corridor which will connect SH29 with SH2, and a further \$455m on the SH2 section from Te Puna to Omokoroa to support urban and economic growth to the north of Tauranga and improve safety, helping save lives.

Lastly, we will be paying close attention to the 2020 general election and potential impact on the local government operating environment. We will be ready to adapt quickly while being pragmatic, prudent and inclusive in taking the Western Bay forward.

My sincere thanks to elected members and Council staff for their expertise and efforts to maintain our Council as a well performing organisation keeping service to our communities top of mind.



A handwritten signature in black ink that reads "Garry Webber". The signature is written in a cursive, flowing style.

**Garry Webber**

Mayor

Western Bay of Plenty District Council





# THE DISTRICT AT A GLANCE - KEY FACTS

## Industry



5.5% Annual GDP growth vs 3.0% national average.

GDP is over \$2 billion, with \$110 million growth in the last year.

Priority One



4.0% growth in employment vs 1.9% nationally

Filled jobs are up by more than 900 to almost 24,000 jobs in the District.

Priority One



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

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



2019/2020 building consent value of \$263m vs \$248m in 2018/2019.

70.3 new dwelling approvals per 10,000 population vs 76.5 nationally (June 2019).

## District



### PEOPLE

- Estimated population **53,900** as at 30 June 2019 (as noted by Stats NZ).
- **60%** rural, **40%** urban.
- Projected population of 64,500 by 2033.



### 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

- **22,890** ratepayers.
- **65%** connected to council water supply.
- **41%** connected to council wastewater treatment and disposal.

# COUNCIL AT A GLANCE - KEY FACTS



Council currently owns **\$1.43 billion** worth of physical assets as at 30 June 2020.



Net debt is **\$76 million** as at 30 June 2020.



Overall the District has equity of **\$1.37 billion** as at 30 June 2020.



**\$30 million** of capital expenditure was spent on infrastructure and assets in 2019/20.



**\$110.2 million** of total income generated in 2019/20.



**\$73 million** of rates income generated in 2019/20.

## Our debt

Net debt per rateable property



Rates covered **77 percent** of the operational cost of running the District.



# 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

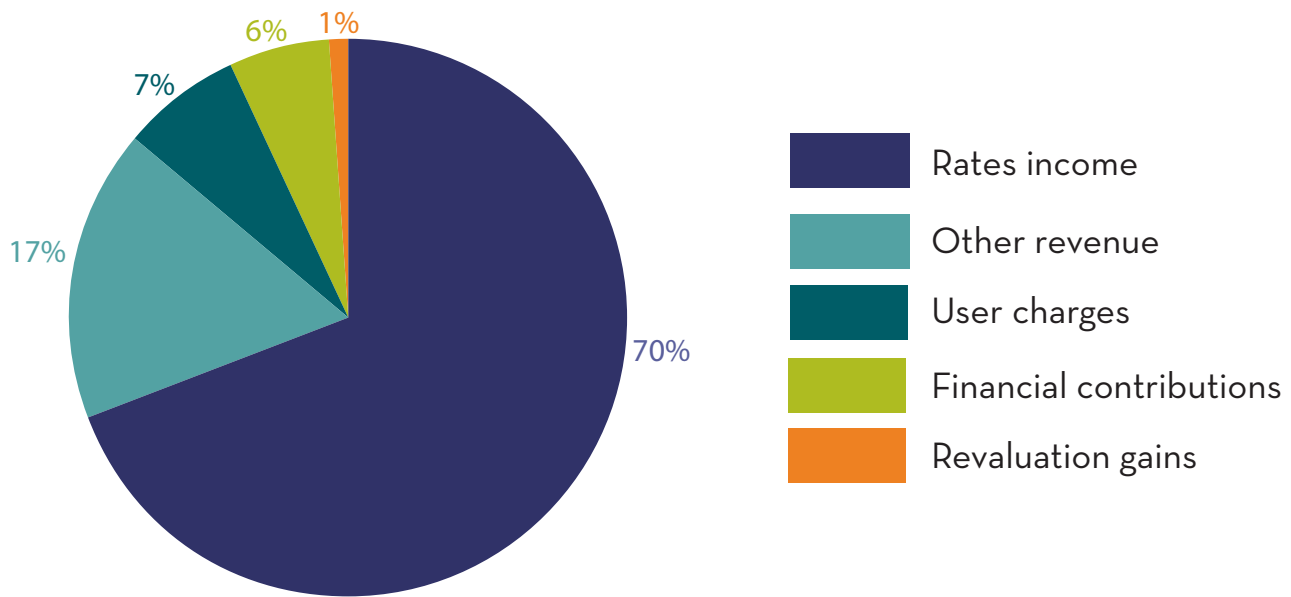
### Annual Plan

Annual Budget

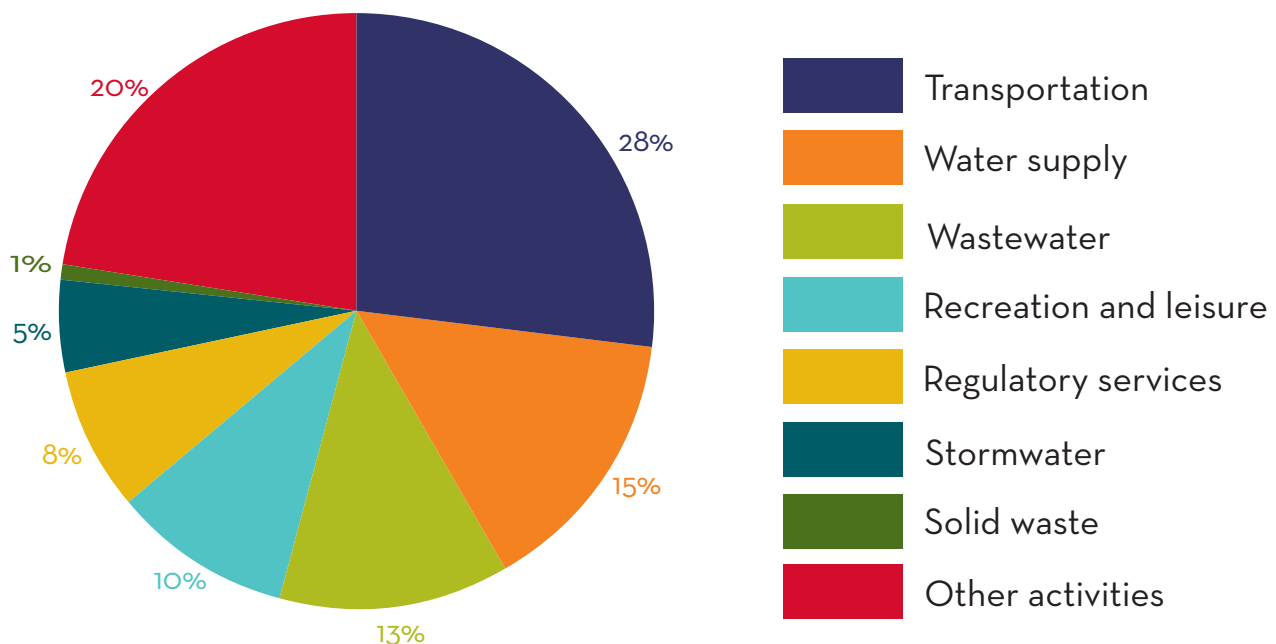
# FINANCIAL SUMMARY OVERVIEW

Western Bay Council has reported a net surplus of \$14.9 million compared with a budgeted operating surplus of \$11.5 million. The major contributor to this increased surplus was financial contributions, vested assets and gains from asset revaluation.

## Council Revenue 2019/20 (excluding vested assets) \$110.2m



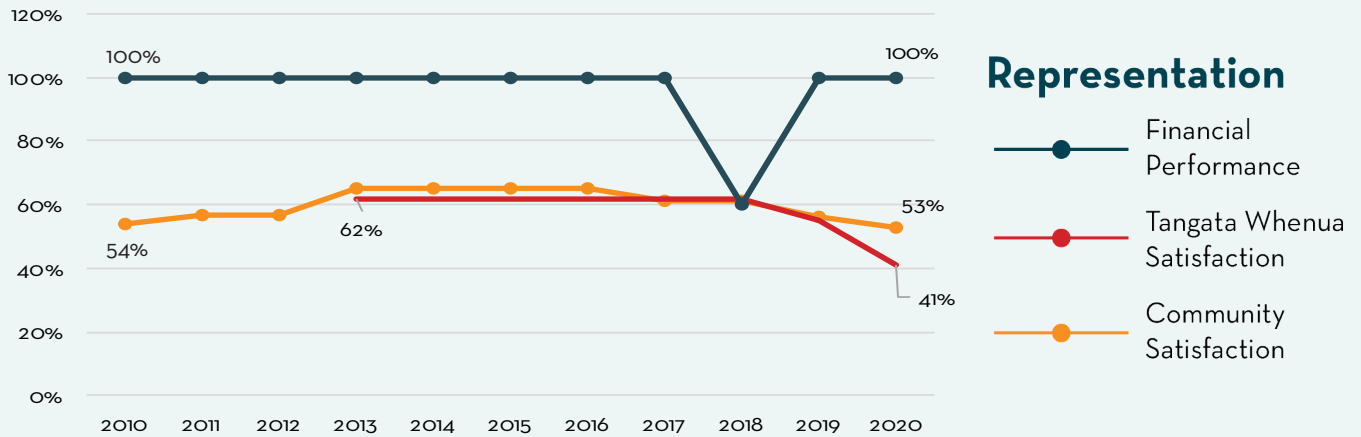
## Council Operating Expenditure 2019/20 \$95.3m





# KEY PERFORMANCE MEASURES - RESULTS

## LEADERSHIP

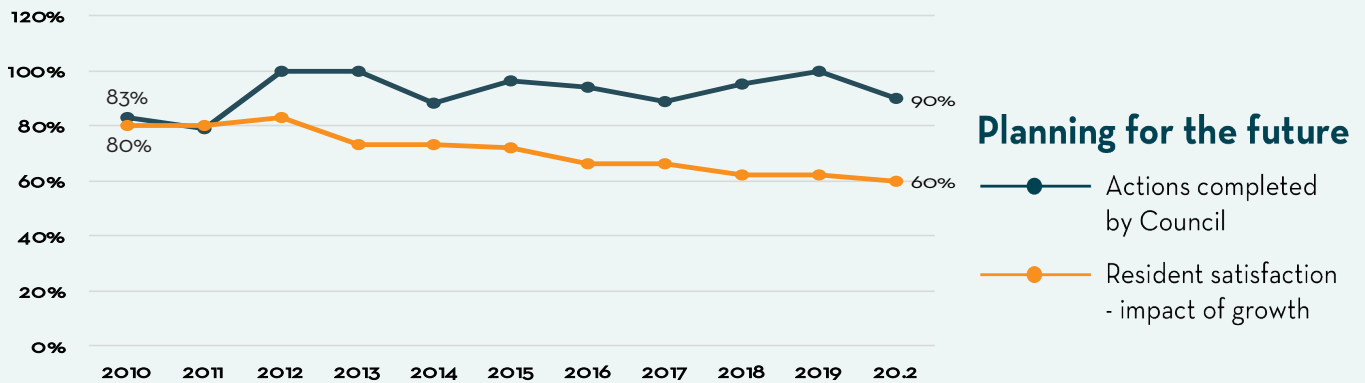


### Council Financial Performance

The financial performance index monitors Council's financial trends and level of compliance with the Treasury Policy. In 2020 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 53%. The level of tangata whenua satisfaction with the Partnership Forum was 41%.



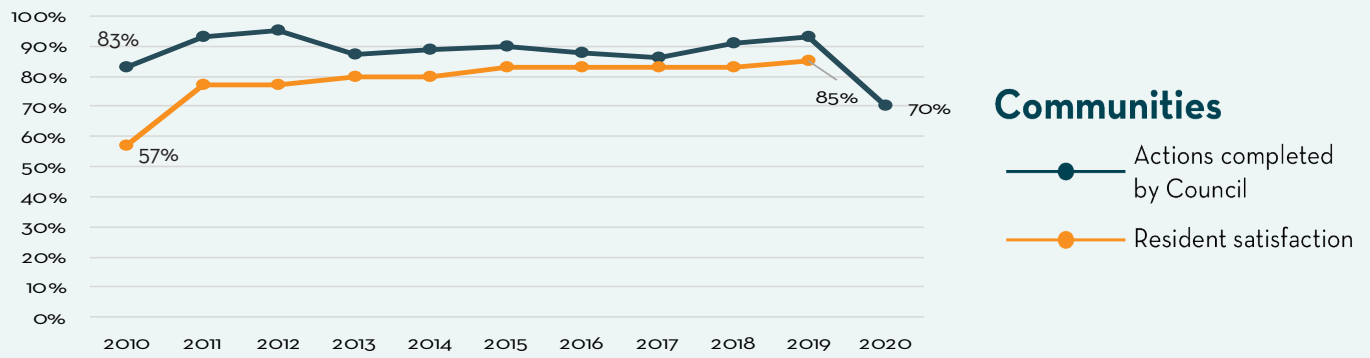
### Actions completed by council as defined in the Council approved work programme

70% of the actions scheduled for 2019/20 year were completed. Key reasons for delays was the impact of the COVID-19 lockdown on the Omokoroa Structure Plan and residential review.

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

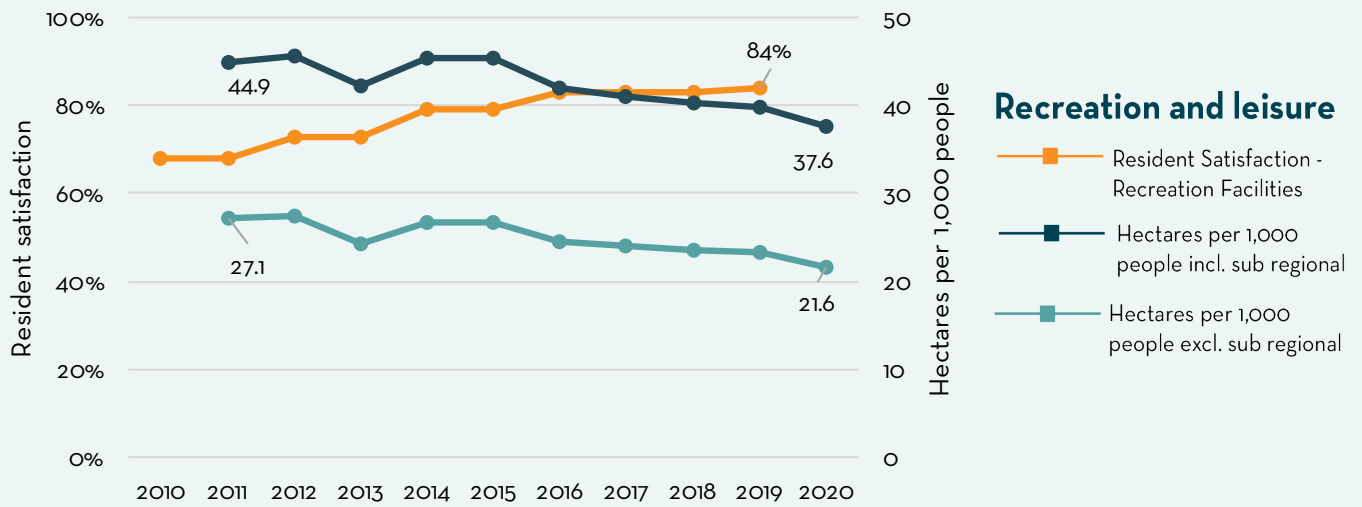
The factors monitored include lifestyle, range of housing choices, personal and road safety, travel time, and employment opportunities. The 2020 survey revealed a satisfaction level of 60%. Key reason for dissatisfaction is the time taken to travel around the District.

# 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.

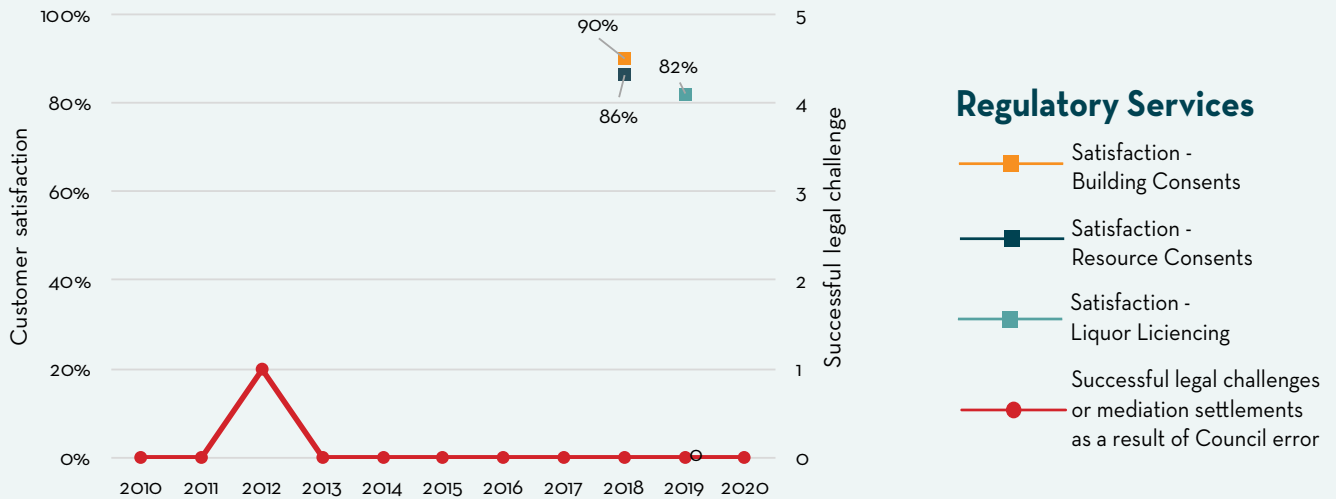


**Recreational Services provided per 1,000 people**  
 This monitors the park land available in the District per 1,000 people. The 2020 result shows that the reserve land available per 1,000 people is continuing to decline. This is due to the consistent population growth within the District.

**Resident satisfaction with Reserves & Recreational Facilities & Amenities**  
 This two yearly survey monitors residents satisfaction with reserves and recreational facilities and amenities. The next survey will be completed in 2021.

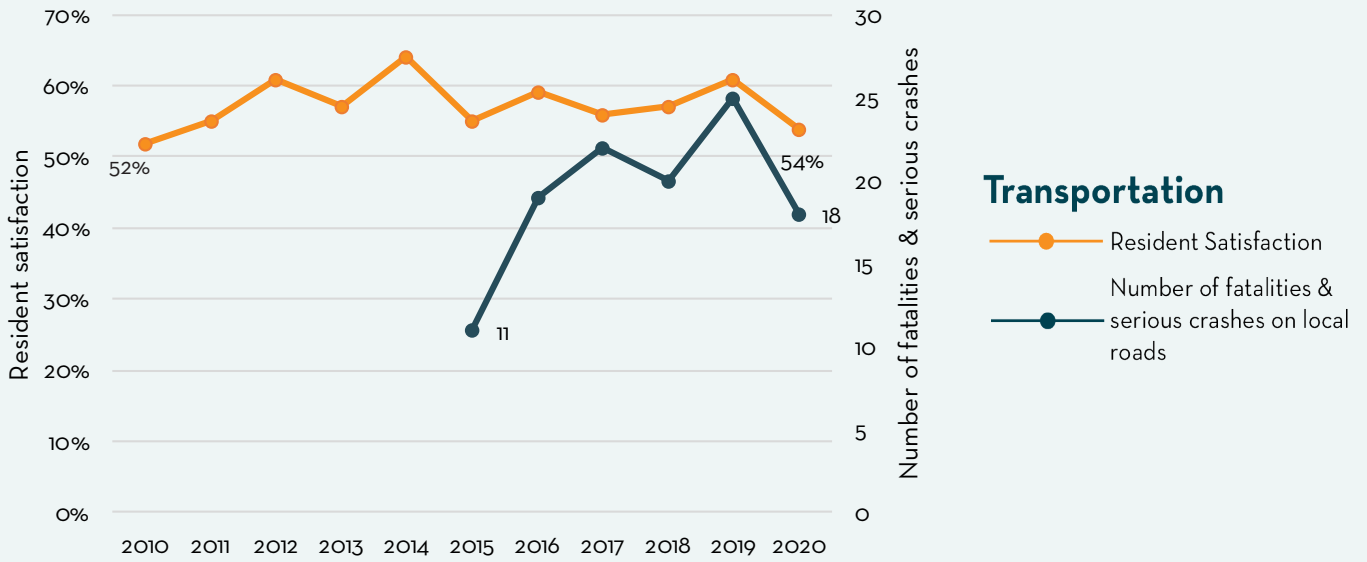


# BUILDING COMMUNITIES



**Successful legal challenges or mediation settlements as a result of Council error**  
 This monitors instances where there has been a successful legal challenge or mediation settlements as a result of Council error. In 2020 there were no successful challenges as a result of Council error.

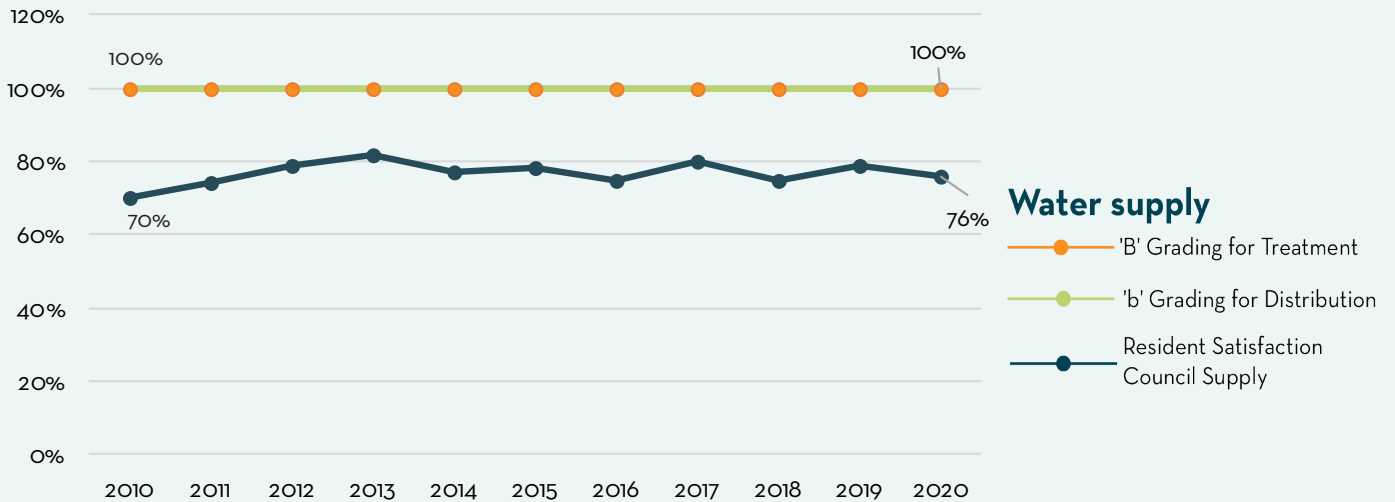
**Customer satisfaction with Regulatory Services**  
 Survey's for this activity have been reviewed and will no longer be used. Monitoring customer service requests will commence in 2021/22 year.



**Number of fatalities and injury crashes on the local road network**  
 In 2020 there were 18 fatality and serious injury crashes on our local road network. This is a decrease of seven from 2019. This is a positive result considering the significant growth within the District and the increased number of vehicles on our road network.

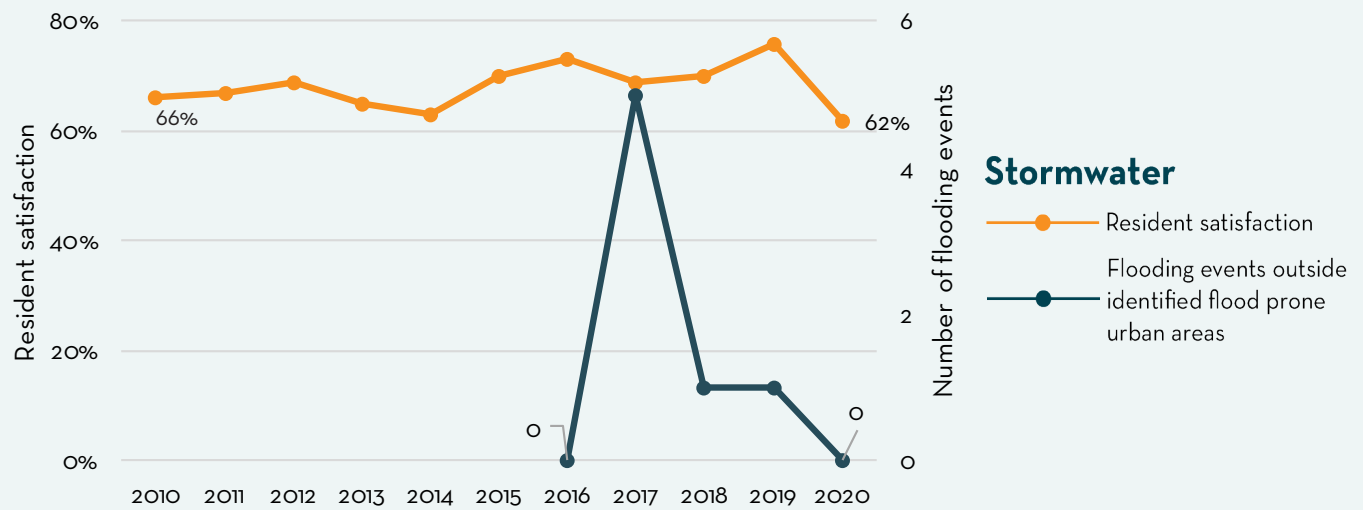
**Resident satisfaction with Transportation**  
 This survey monitors the level of satisfaction with roading, cycleways and walkways. In 2020 the level of satisfaction decreased to 54% from 61% in 2019. Key reason for dissatisfaction is time taken to travel.

## BUILDING COMMUNITIES



**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 2020 the level of satisfaction increased to 76%. Key reasons for dissatisfaction was taste and smell, chemical and level of silica.

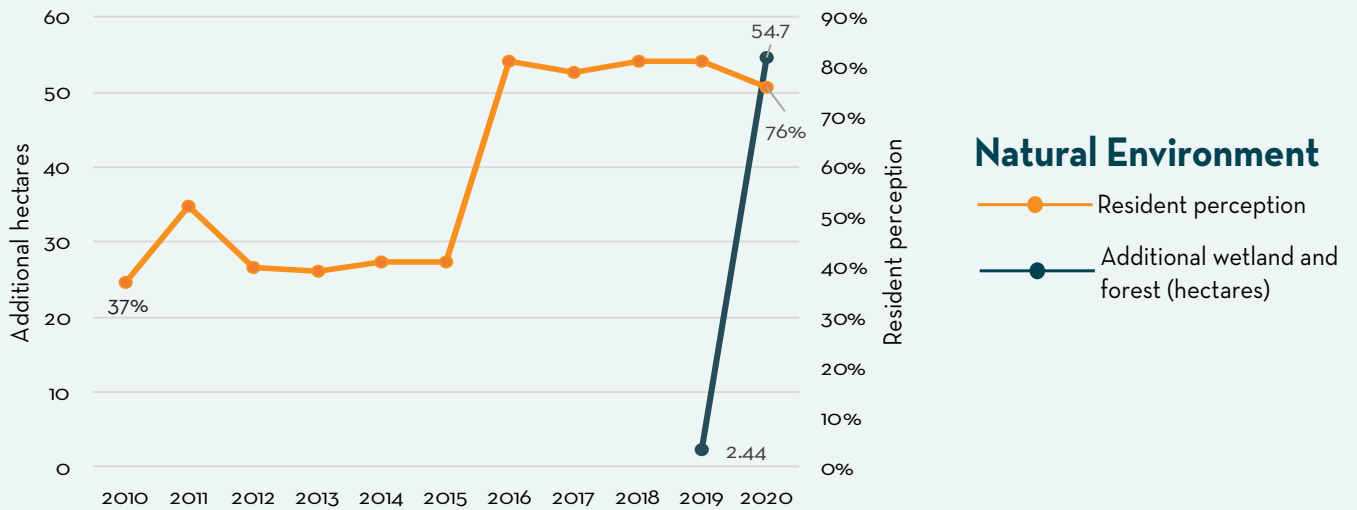


**Number of flooding events outside identified flood prone areas**  
 This monitors flooding that occurs in areas outside identified flood prone areas. In 2020 there were no flood events outside a flood prone area.

**Resident satisfaction with Stormwater systems**  
 The level of satisfaction with stormwater systems in 2020 is 62%. This is a decrease from the 2019 result of 76%. Key reasons for dissatisfaction relates to the maintenance and the need for more drainage.



# PROTECTING THE ENVIRONMENT

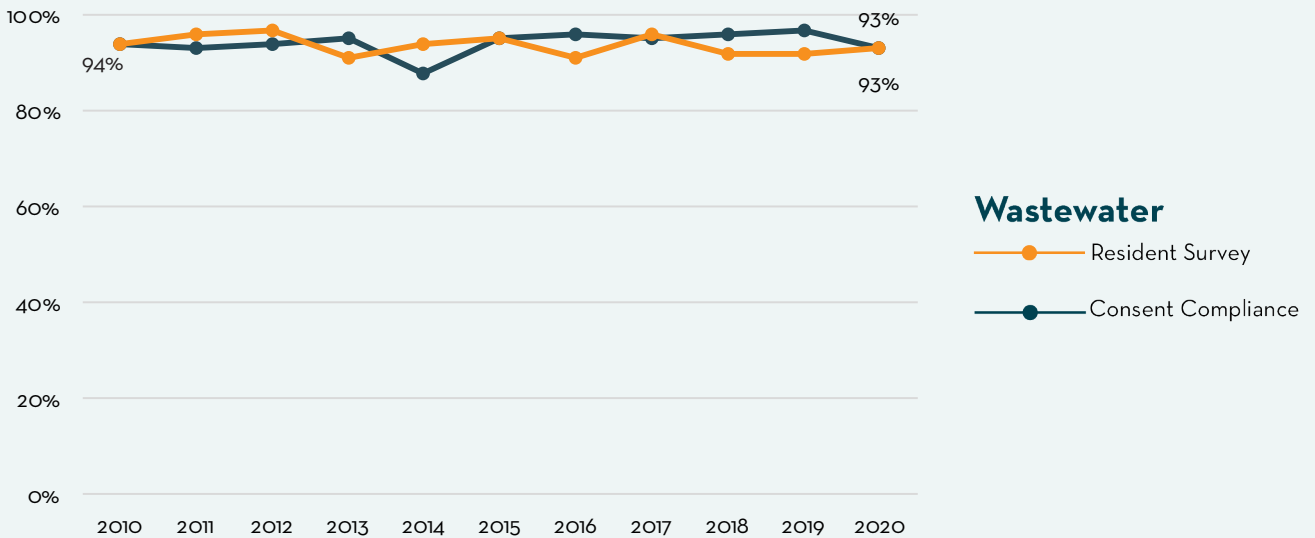


### Additional land included in protection lots

There was an additional 1.54 km riparian land, 0 hectares of wetland and 54.7 hectares of forest and shrub land. This is less than anticipated due to landowners willingness to undertake the necessary planting.

### Resident perception of an improvement in environmental feature

2020 result of 76% is a decrease from 2019 result of 81%. From 2016 monitoring included those who perceive the environmental attributes have been maintained i.e. it is neither better nor worse. Environmental features include quality of streams, harbours & estuaries, air quality etc.



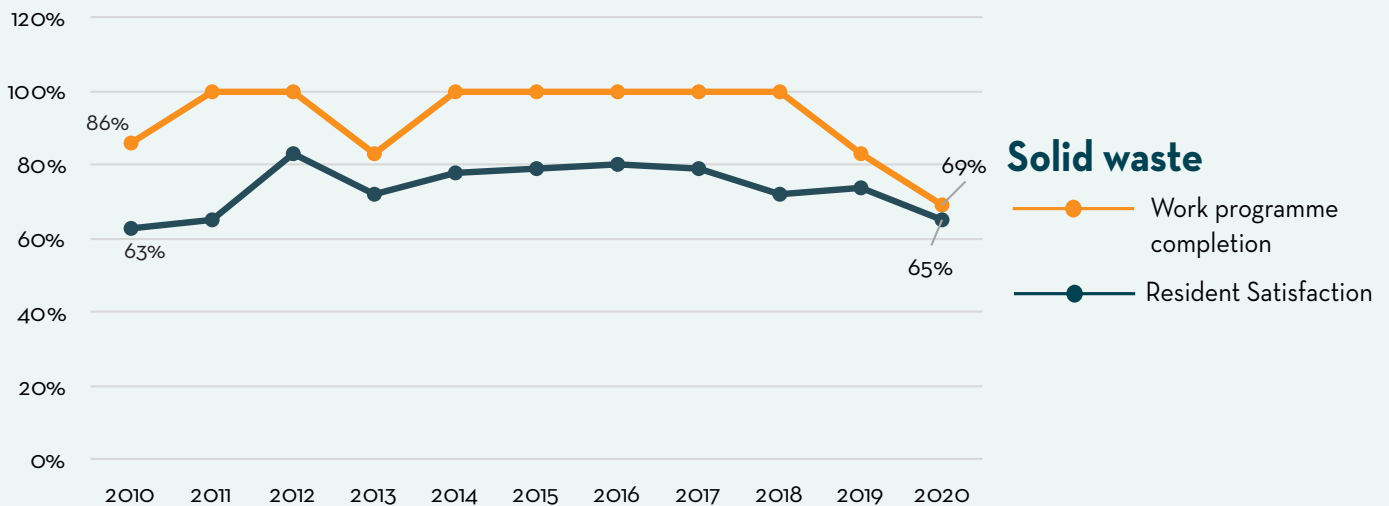
### Additional land included in protection lots

All wastewater treatment plants are monitored to ensure compliance with resource consent conditions. In 2020 targets at treatment plants were achieved except for Waihi Beach where there was a treatment plant malfunction.

### Resident perception of an improvement in environmental feature

The level of satisfaction with Council sewage disposal systems is 93% this is consistent with 2019. Key reasons for dissatisfaction were reliability and environmentally poor.

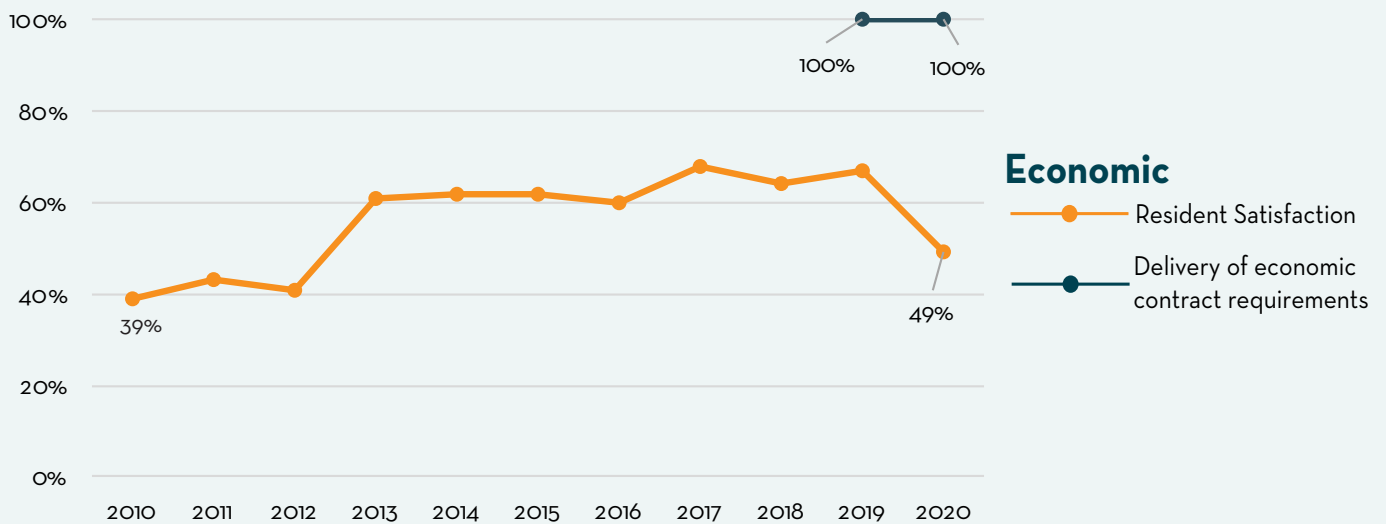
## PROTECTING THE ENVIRONMENT



**Actions completed by Council as defined in the Solid Waste work programme**  
 69% of the actions scheduled for the 2020 year was completed. Delays were caused by resourcing issues and the need to extend the rural recycling trial due to COVID-19.

**Resident satisfaction with household rubbish disposal methods**  
 The level of satisfaction with household disposal methods was 65% in 2020. Key reason for dissatisfaction is based on location i.e. residents are outside of collection area, or the recycle centres are too far away and which goods can be recycled.

## 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 BOP, 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 2020 the level of satisfaction was 49% a decrease from the 2018 result of 67%.



## 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.

## 2019/20 HIGHLIGHTS

An energy management audit was completed which identified key areas for improvement. This was the initial step in Council's carbon and energy management programme.

A review of the Corporate Plan has been completed. This plan provides the organisation's direction and key improvement initiatives for the next three years.

## FUTURE INITIATIVES

The implementation of the Corporate Plan will result in the implementation of a number of corporate initiatives over the next three years. This includes the organisation's sustainability initiative and the implementation of the carbon and energy management programme. Where council will be working with key agencies to identify and implement improvements for more efficient energy use within our business.

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 2020

## 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 2020. The financial statements were authorised for issue by Council on 24 September 2020.

## 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 2020 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:

### 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.

### 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

#### 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 does 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 does not expect the impact of this standard to have a material effect on the financial forecasts.

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 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 Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example, stormwater, wastewater and water supply pipes which are underground. This risk is minimised by Council performing a combination of physical inspections and condition modeling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates being made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the assets, then Western Bay Council could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk Western Bay Council'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 2020:

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

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

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

#### **Classification of property**

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

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

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

#### **Impact of COVID-19**

Western Bay Council has assessed the impacts of COVID-19 on its position as at 30 June 2020, and its key accounting estimates and its assumptions looking forward.

Council considers that the impact of COVID-19 is immaterial and subsequently there are no adjustments required to key accounting estimates and assumptions.



# SUMMARY FINANCIAL REPORTS

## WESTERN BAY OF PLENTY DISTRICT COUNCIL

### STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2020

FOR THE YEAR ENDED 30 JUNE	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2020	2020	2019
Revenue from non-exchange transactions			
Fees and charges from activities	7,728	6,271	8,878
Rate revenue	73,079	70,885	69,284
Fines	251	189	200
Vested assets	5,940	2,240	15,891
Financial contributions	5,892	10,498	18,605
Subsidies and grants	11,950	9,433	12,423
Other revenue	448	400	547
Fair value movement in derivative financial instruments	-	-	-
Gains	826	-	2,963
<b>Revenue from non-exchange transactions total</b>	<b>106,114</b>	<b>99,916</b>	<b>128,792</b>
Revenue from exchange transactions			
Finance revenue	905	792	1,507
Dividends	346	-	146
Rental Revenue	991	873	1,048
Other exchange revenue	1,857	748	2,268
<b>Total revenue</b>	<b>110,213</b>	<b>102,329</b>	<b>133,762</b>
Expenditure			
Other expenses	45,914	40,205	40,807
Personnel costs	22,404	22,407	20,720
Depreciation	19,298	19,755	20,484
Amortisation	299	426	887
Unrealised hedging movement	1,346	-	2,808
Finance costs	6,036	8,000	6,874
<b>Expenditure total</b>	<b>95,297</b>	<b>90,793</b>	<b>92,580</b>
<b>Share of associate surplus/(deficit)</b>	<b>1</b>	<b>-</b>	<b>5</b>
<b>Net surplus / (deficit)</b>	<b>14,917</b>	<b>11,536</b>	<b>41,186</b>
Other comprehensive revenue and expenses			
Gains/(Losses) on asset revaluations	46	33,580	25,595
Reversal of impairment	2	-	2
Other assets at fair value through other comprehensive revenue and expense	(408)	-	45
<b>Total other comprehensive revenue and expense for the year</b>	<b>(361)</b>	<b>33,580</b>	<b>25,642</b>
<b>Total comprehensive revenue and expense for the year</b>	<b>14,556</b>	<b>45,116</b>	<b>66,828</b>



# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2020

*Western Bay Council has reported a net surplus of \$14.9 million compared with a budgeted operating surplus of \$11.5 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:

- <sup>1</sup> Strong regulatory income relating to building services, NZTA funding for operating expenses and additional connection fees to new Council wastewater and water supply networks.
- <sup>2</sup> Additional rates revenue is primarily due to rating unit growth and additional water by meter revenue.
- <sup>3</sup> Financial contributions were lower in 2020 due to slowing building consenting within the district and timing of receipts with 2019 revenue significantly ahead of budget.
- <sup>4</sup> Vested assets income of \$5.940m is \$3.700m higher than budget of \$2.240m. This is due to higher levels of assets being vested in Council.
- <sup>5</sup> Subsidies and grants income of \$11.950m was \$2.517m higher than budget of \$9.433m due to timing and availability of capital works eligible for NZTA funding.
- <sup>6</sup> Gains income of \$0.826m predominantly relates to the revaluation movements of Council held assets across most activities.
- <sup>7</sup> Other revenue was \$1.158m higher than budget. This is predominantly due to movements in rental income, dividend income and petrol tax income.
- <sup>8</sup> Other expenses were \$5.709m higher than budget due to higher costs associated with delivering operational contracts. This includes \$1m of additional cost associated with repairs required to the Waihi Beach Wastewater Treatment Plant over December 2019/January 2020.
- <sup>9</sup> Personnel costs of \$22.404m is in line with the full-year budget of \$22.407m.
- <sup>10</sup> Depreciation and amortisation costs of \$19.597m is \$0.584m lower than the budget of \$20.181m.
- <sup>11</sup> Finance costs realised of \$6.036m were \$1.964m lower than budget of \$8.000m.
- <sup>12</sup> Unrealised hedging movement of \$1.346m were unbudgeted.



# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2020

	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 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>
Total comprehensive income for the year	15,995	(1,584)	143	14,554
<b>Balance at 30 June 2020</b>	<b>905,715</b>	<b>431,251</b>	<b>32,332</b>	<b>1,369,298</b>

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2020	2020	2019
<b>Total equity</b>	<b>1,369,298</b>	<b>1,373,450</b>	<b>1,354,744</b>
<b>Assets</b>			
<sup>1</sup> Total current assets	50,257	29,706	42,172
<sup>2</sup> Total non-current assets	1,463,330	1,491,555	1,456,281
<b>Total assets</b>	<b>1,513,586</b>	<b>1,521,261</b>	<b>1,498,454</b>
<b>Liabilities</b>			
Total current liabilities	41,344	18,943	22,864
Total non-current liabilities	102,945	128,868	120,846
<sup>3</sup> <b>Total liabilities</b>	<b>144,288</b>	<b>147,811</b>	<b>143,710</b>
<b>Net assets</b>	<b>1,369,298</b>	<b>1,373,450</b>	<b>1,354,744</b>

## MAJOR VARIANCES

- <sup>1</sup> Cash on hand was \$4.867 million higher than last year. This increase reflects the lower than budgeted capital expenditure over 2020.
- <sup>2</sup> Property, plant and equipment was \$5.464 million higher than last year. The increase reflects capitalisation of completed projects.
- <sup>3</sup> Interest Rate Swap liability was \$1.346 million higher than last year. This reflects the reduction in market interest rates over 2019/20.

# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2020

FOR THE YEAR ENDED 30 JUNE	ACTUAL \$'000 2020	BUDGET \$'000 2020	ACTUAL \$'000 2019
Cash flows from operating activities			
Receipts from rates revenue	72,557	70,565	69,435
Regional Council rates	8,383	6,252	7,926
Interest received	675	413	919
Dividends received	346	-	146
Receipts from other revenue	29,362	28,412	48,107
Payments to suppliers and employees	(69,401)	(62,240)	(61,519)
Interest paid	(6,036)	(8,000)	(6,874)
Regional Council rates	(8,383)	(6,252)	(7,926)
Goods and services tax (net)	(4)	-	408
<b>Net cash from operating activities</b>	<b>27,499</b>	<b>29,150</b>	<b>50,621</b>
Cash flows from investing activities			
Receipts from sale of property, plant and equipment	7,698	87	9,616
Purchase of property, plant and equipment	(28,732)	(42,460)	(42,378)
Purchase of intangible assets	(1,618)	-	(207)
Purchase of investments	-	-	-
Sale of Investments	20	11,857	15,220
<b>Net cash from investing activities</b>	<b>(22,632)</b>	<b>(30,518)</b>	<b>(17,749)</b>
Cash flows from financing activities			
Proceeds from borrowings	-	-	10,000
Repayment of borrowings	-	-	(25,000)
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>(15,000)</b>
Net (decrease)/increase in cash held	4,867	(1,368)	17,872
Cash, cash equivalents and bank overdrafts at the beginning of the year	29,622	5,282	11,750
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>34,489</b>	<b>3,915</b>	<b>29,622</b>

### MAJOR VARIANCES TO BUDGET WERE

**2020 actual movement was a net increase in cash held of \$4,867 million versus a budgeted net decrease of \$1,368 million and actual 2019 net increase in cash held of \$17,872 million.**

**Net cashflows from operating activities of \$27.499 million versus a budgeted net increase of \$29.150 million and last year actual of \$50.621 million.**

Rates revenue has increases by \$2.194 million due to an increased amount of rateable properties in the district and higher consumption of metered water.

Financial Contributions were \$4.606 million lower than budgeted due to a slowing of building activity within the district and the timing of receipts.

Other expenses has increased by \$5.709 million due to increased contractor maintenance expenses and other increases in operating expenses.

**Net Cashflows from investing activities of (\$22.632 million) versus (\$30,518 million) budget and last year actual of (\$17,749 million).**

This is due to the under-delivery of Council's capital expenditure programme of \$9.500 million.

**Net Cashflows from financing activities of (\$0.000 million) versus (\$0.000 million) budget and last year actual of (\$15,000 million).**

Net cashflows from financing activities are in line with Council's budget for 2019/20.

# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## SUMMARY OF COST OF SERVICES

### TOTAL OPERATING REVENUE

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2020	2020	2019
Significant activities			
Representation	3,473	3,818	3,358
Planning for the future	2,683	2,760	2,860
Communities	7,536	7,214	7,404
Recreation and leisure	10,839	9,871	14,162
Regulatory services	10,187	9,424	9,737
Transportation	28,188	26,870	31,274
Water supply	13,426	12,569	18,474
Stormwater	7,236	6,931	15,344
Natural environment	836	932	1,047
Wastewater	15,919	14,359	21,989
Solid waste	2,228	2,295	1,949
Economic	1,075	1,108	1,082
Council services	6,587	4,178	5,083
<b>Total operating revenue by activity</b>	<b>110,213</b>	<b>102,329</b>	<b>133,762</b>
<b>Council services</b>	<b>110,213</b>	<b>102,329</b>	<b>133,762</b>

### TOTAL OPERATING EXPENDITURE

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2020	2020	2019
Significant activities			
Representation	3,187	4,159	2,942
Planning for the future	2,684	2,900	2,632
Communities	7,626	7,735	7,770
Recreation and leisure	7,179	7,211	7,443
Regulatory services	10,175	9,507	9,750
Transportation	19,622	19,574	18,687
Water supply	14,732	12,373	14,230
Stormwater	4,516	4,719	4,230
Natural environment	724	921	702
Wastewater	15,149	13,348	12,976
Solid waste	1,673	2,169	1,357
Economic	743	724	727
Council services	7,287	5,453	9,134
<b>Total operating expenditure by activity</b>	<b>95,297</b>	<b>90,793</b>	<b>92,580</b>
<b>Council services</b>	<b>95,297</b>	<b>90,793</b>	<b>92,580</b>



# WESTERN BAY OF PLENTY DISTRICT COUNCIL

## STATEMENT OF COMMITMENTS AT 30 JUNE 2018

	ACTUAL \$'000 2020	ACTUAL \$'000 2019
<b>Capital commitments approved and contracted</b>	<b>7,327</b>	<b>17,232</b>
<b>Non-cancellable operating lease commitments Plant and equipment</b>		
Not later than one year	103	131
Later than one year and not later than two years	42	66
Later than two years and not later than five years	121	124
Later than five years	1,400	1,447
<b>Total non-cancellable operating leases</b>	<b>1,666</b>	<b>1,767</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 2020 \$21.63 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 2020 \$3.397 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
	2020	2019
Building Act claims	50	50
Weatheright 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 (2019: \$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 Weatheright Homes Resolution Service (WHRS) as at 30 June 2020 (2019: 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 4 claims that are still open as at balance date (2019: 5).

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 2020.

### Carter Holt Harvey Limited

In April 2013, the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey (CHH) alleging inherent defects in the shadowclad plywood cladding product manufactured and distributed by CHH and installed in school buildings. CHH joined 54 councils including Western Bay of Plenty District Council as third parties seeking contribution on the basis that, if CHH was liable, then councils must have inadequately inspected the school buildings as well. CHH has now settled the MoE claim and, as part of that settlement, CHH agreed to discontinue the third party claims against Western Bay of Plenty District Council and other councils on a drop-hands basis (i.e. each party bears its own legal costs). The claims were formally discontinued on 3 September 2020.

The CHH claims against Western Bay of Plenty District Council were never quantified and the court process in relation to the third party claims did not pass the preliminary pleading stage. The settlement was a very favourable outcome as the cost of defending the claims would have been very high.

We note that, initially, CHH's third party claim against Western Bay of Plenty District Council related to 16 schools within the city. Prior to the settlement, CHH had already agreed to drop claims against Western Bay of Plenty District Council in relation to a number of the buildings in 12 of those schools on the basis that there was no possible third party claim in relation to the buildings in those schools and were considering their position on further buildings in those schools and another 5 schools.

### 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 (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. NZLGFA has a local currency rating from Fitch Ratings and Standard and Poor's of AA+ and a foreign currency rating of AA.

As at 30 June 2020, Western Bay of Plenty District Council is one of 30 local authority shareholders and 22 local authority guarantors of the NZLGFA. In that regard it has uncalled capital of \$20m. When aggregated with the uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Western Bay of Plenty District Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2020, NZLGFA had borrowings totalling \$11,907m (2019: \$9,840m).

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
	2020	2019
<b>Councillors</b>		
Full-time equivalent members	12	17
Salaries and other short term employee benefits	592	579
<b>Senior Management Team, including the Chief Executive</b>		
Full-time equivalent members	5	5
Salaries and other short term employee benefits	1,373	1,347
<b>Total senior management remuneration</b>	<b>1,965</b>	<b>1,948</b>

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

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

An analysis of Councillor remuneration and further information on Chief Executive remuneration is provided in Note 38 of the Annual Report 2019-20 from pages 193 - 195.

### ELECTED MEMBER REMUNERATION

	ACTUAL \$'000	ACTUAL \$'000
	2020	2019
Councillors	592	579
Community board members	107	120
<b>Total elected member remuneration</b>	<b>699</b>	<b>699</b>

### IMPACT OF COVID-19

In March 2020, New Zealand entered a nationwide lockdown as a result of the arrival of Covid-19. This meant that non-essential services and businesses had to close or work from home, while essential services or businesses were permitted to remain open while the lockdown was in place.

Western Bay Council have performed an assessment on its financial position, forecasts and key accounting estimates as a result of Covid-19 and ascertained that the impact as at 30 June 2020 has been minimal. Therefore there have been no changes to Western Bay Council's key accounting forecasts or estimates for the year ending 30 June 2020.

Western bay Council has also performed an assessment on its results for its Service Performance Results as a result of Covid-19 and has included specific commentary relating to Covid-19 within the activity Service Performance Results.

## 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 2020

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 2020.

The summary of the annual report comprises the following summary statements on pages 9 to 24:

- the summary statement of financial position as at 30 June 2020;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2020;
- 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 2020 in our auditor's report dated 24 September 2020. That report also



# AUDIT REPORT

includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the Council as set out in full Annual Report in notes 1, 15 and 41 to the financial statements and throughout the Group of Activities on pages 35 to 133, in particular the 2019/20 Highlights for each Activity. An extract of this information is included in the summary of the annual report on page 25.

## **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  
24 September 2019