



# SUMMARY ANNUAL REPORT

*For Year Ended 30 June 2016*



*Western Bay of Plenty  
District Council*



## **DISCLAIMER**

The specific disclosures in this financial summary report have been extracted from the full financial report dated 15 September 2016. 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 15 September 2016. A copy of the Western Bay of Plenty District Council 2015/2016 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)

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# THE CHIEF EXECUTIVE'S INTRODUCTION

2015/16 has been a year of opportunity and challenge for Council operations.

Debt has been reduced; regulatory income significantly increased; most sectors of the District's economy are doing well and Council is financially stable enough to manage any shocks that may come through in the medium term.

After several years of low growth and financial insecurity following the global downturn, 2015/16 has seen growth related income exceed budget by \$1.67m.

This turnaround is evident in regulatory fees being \$1.2m ahead of forecast. This income has offset additional costs of employing more staff to manage increased demand and had a positive impact on Council's General Rate Reserve.

Rates income was also \$1m ahead of budget following strong growth in subdivision activity and market pressure increasing the value of land and improvements.

While growth has had a positive impact on Council's balance sheet, the four per cent rate cap set in the Long Term Plan 2015-2025 has been breached. Having said this, additional rates revenue will have a positive flow-on as a greater number of ratepayers absorb rate costs.

During the year Council's net debt reduced by \$14 million taking it to \$111m compared to \$125m in 2014/15.

This stronger financial position has been fundamental to forging ahead with a \$41m capital works programme in 2016/17 that includes construction of a new library and community hub in Katikati and a major upgrade of Omokoroa Road. The upgrade of Omokoroa Road is fundamental to growth management on this coastal peninsula, which has also seen work progress on the development of the Special Housing Area.

In Waihi Beach, funding of the Events and Promotions Association has delivered economic benefit through increased visitor occupancy.

2015/16 also marked the start of parts of the Tauranga Moana Cycleway. This is an urban/coastal cycleway jointly funded by Central Government, Western Bay of Plenty District Council and Tauranga City Council.

On the flipside, Council has experienced some challenges during the year.

Interest rates swap liability increased by \$4.5m due to continue low global interest rates. While this is a non-cash adjustment it is required to accurately reflect liability.



**Miriam Taris**  
*Chief Executive Officer*

Council continued to benefit from its shareholding in the New Zealand Local Government Funding Agency (LGFA). The Agency was established five years ago to lend money to local authorities at a lower rate than could be accessed from mainstream lending institutions.

Implementation of the western Bay of Plenty sub-region growth management strategy (SmartGrowth) continued to build momentum during the year.

The wealth of research and leadership that formed this 50-year blueprint for sustainable land use, settlement and infrastructural placement is bearing fruit as the western Bay of Plenty experiences a development boom.

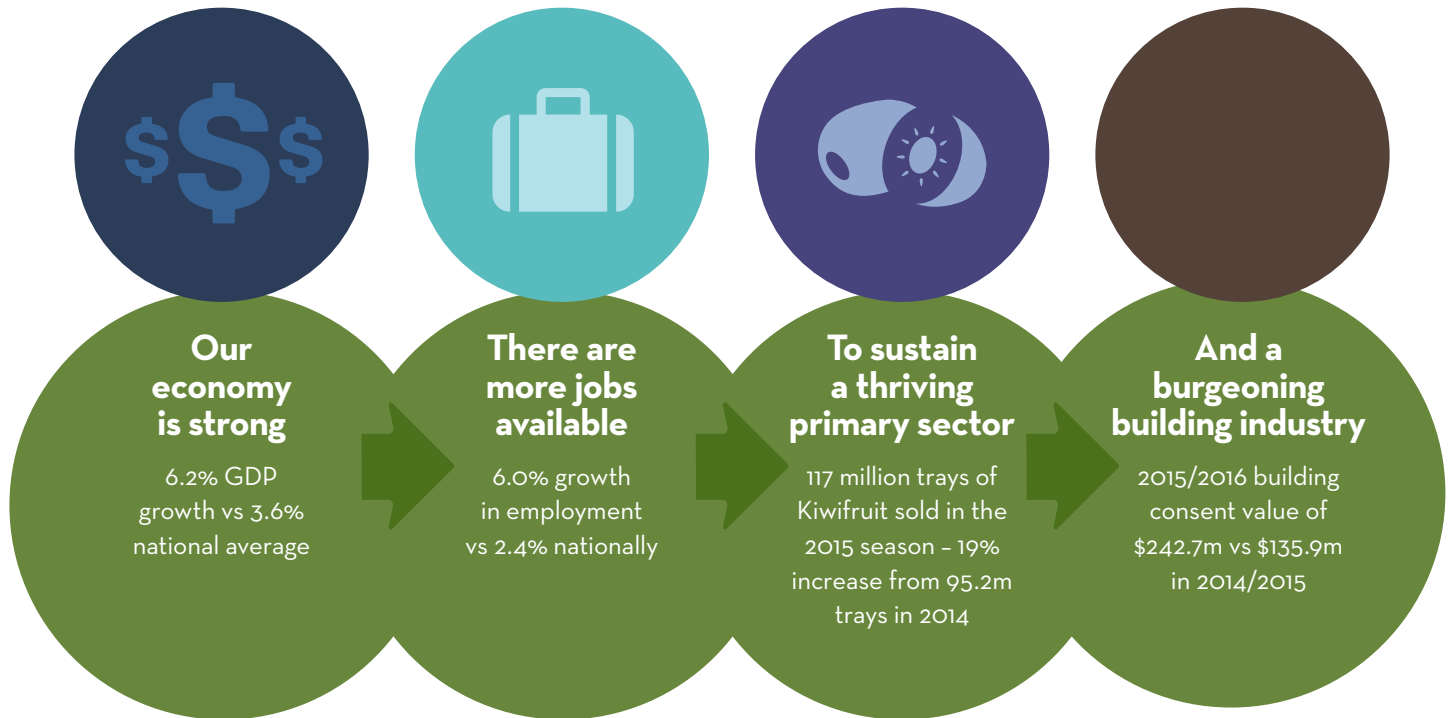
In closing, Council's 2015/16 results validate the financial strategy put in place in the Long Term Plan and positions the organisation well for the future.

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.

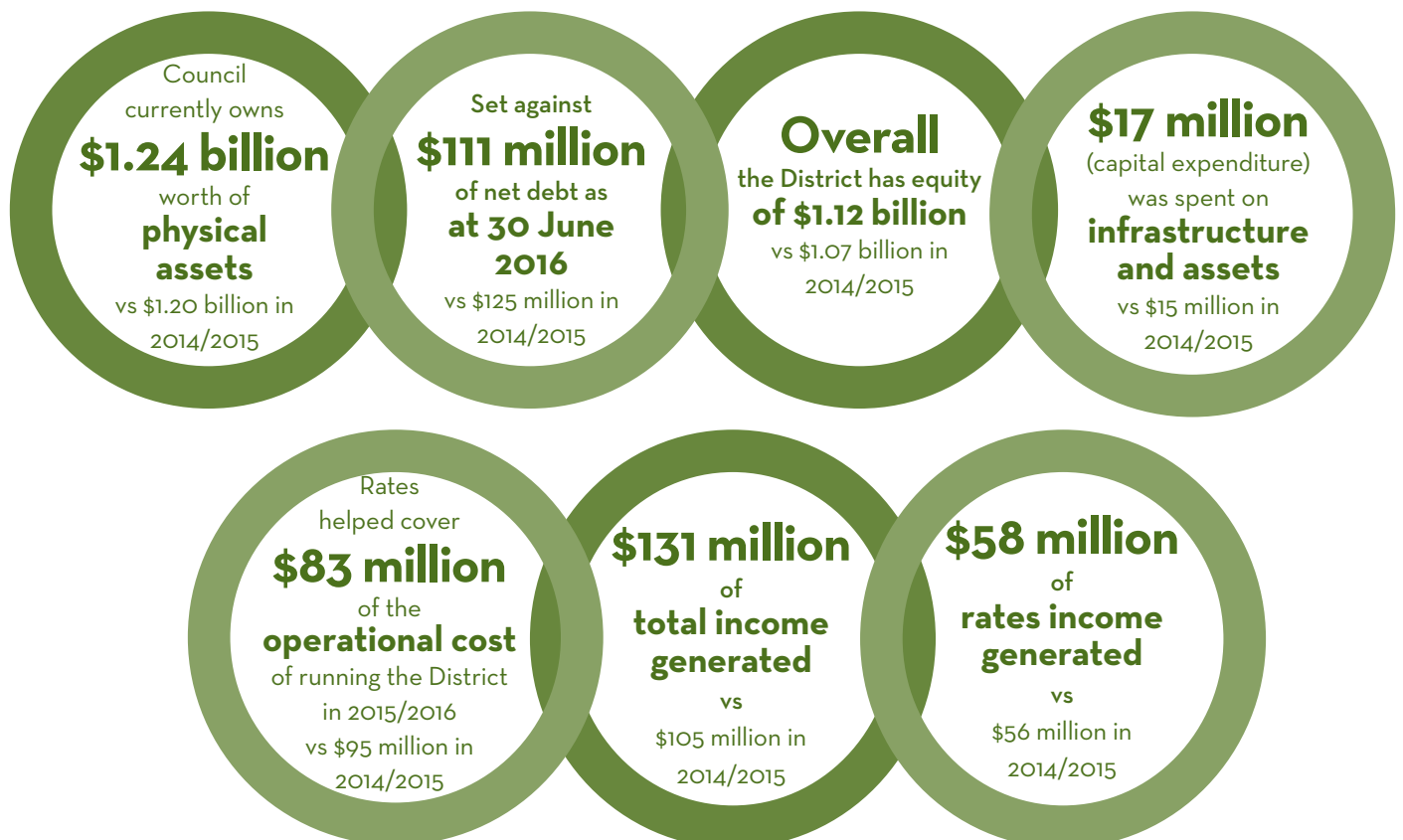
**Miriam Taris**  
*Chief Executive Officer*  
Western Bay of Plenty District Council



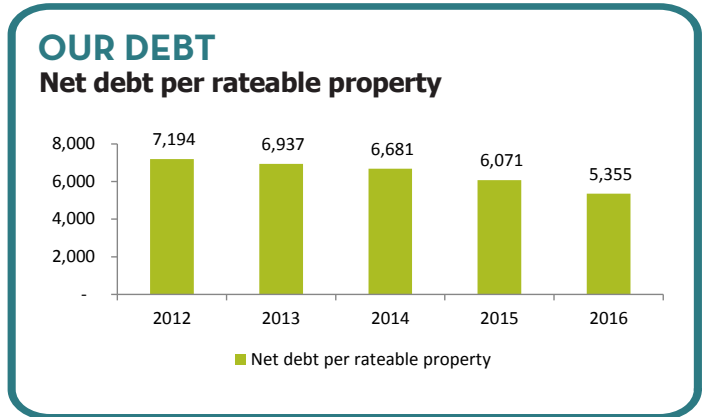
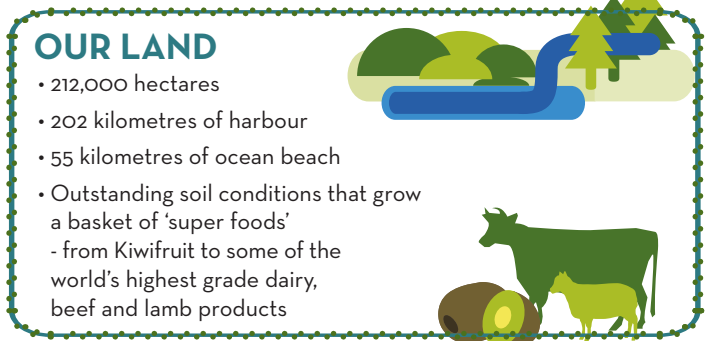
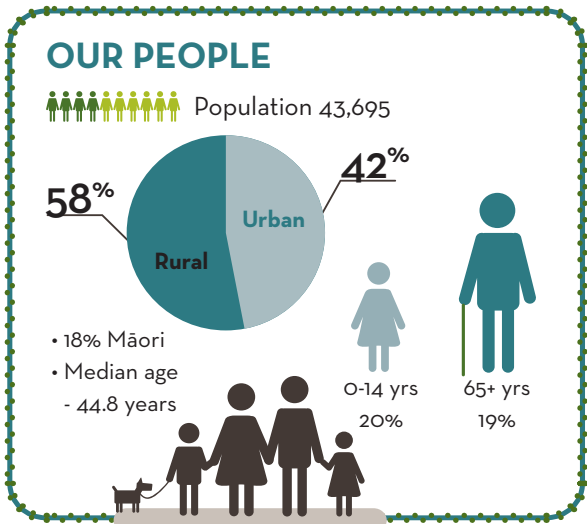
## A DISTRICT FORGING AHEAD



## PLAYING OUR PART



# COUNCIL AT A GLANCE - KEY FACTS



## ROLE OF THE ANNUAL REPORT

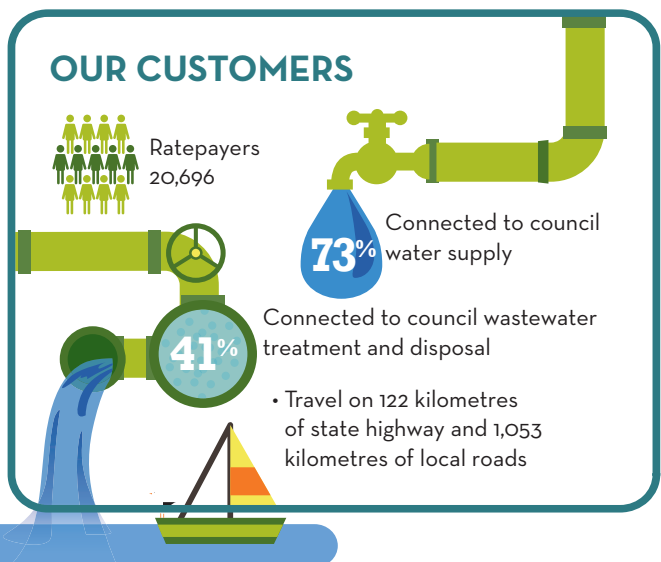
### PURPOSE

The Annual Report is provided to compare Western Bay Council's actual performance for the year against what was forecast in the Long Term Plan or Annual Plan.

### PLANNING AND REPORTING FRAMEWORK

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

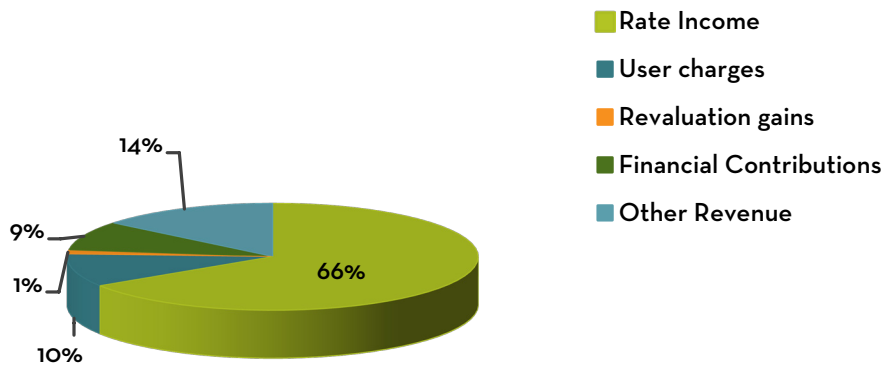
- **Long Term Plan (LTP)** (Section 93) identifies Council's plans for the Western Bay over a 10 year period. It is reviewed every three years. Council's latest LTP was agreed in 2015.
- **Annual Plan** (Section 95) is produced in the two intervening years between each LTP. It outlines any significant changes Council has made to the LTP and contains the annual budget.
- **Annual Report** (Section 98) provides details of Council's actual performance for all activities against the plans for a specific year of the LTP or Annual Plan.
- **Summary Annual Report** (Section 98(4)(b)) provides a summary of information contained in Council's Annual Report.



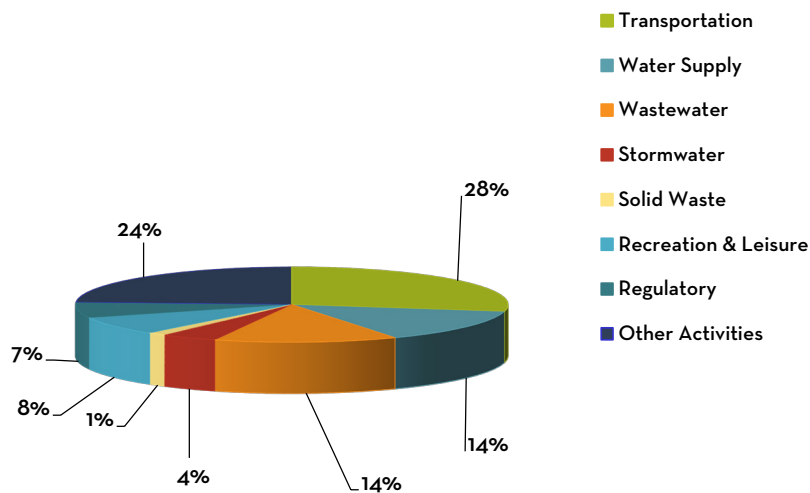
# FINANCIAL SUMMARY OVERVIEW

Council has reported a net surplus of \$47.73 million compared with a budgeted operating surplus of \$7.98 million. The major contributor to this increased surplus was the vesting of the Te Puke Highway (formerly SH2) of \$39.5m from NZTA.

**Council Revenue 2015/16**  
(excluding vested assets)  
\$88.7m



**Council Capital and Operating Expenditure 2015/16**  
\$83.4m



To see a detailed overview of Council's performance see pages 15 - 17 of the full Annual Report 2015/16.

**BRINGING  
THE PLANNING  
PROCESS  
TOGETHER**

**Community Outcomes**  
How the community wants the District to be.

**Annual Report**  
What was achieved.



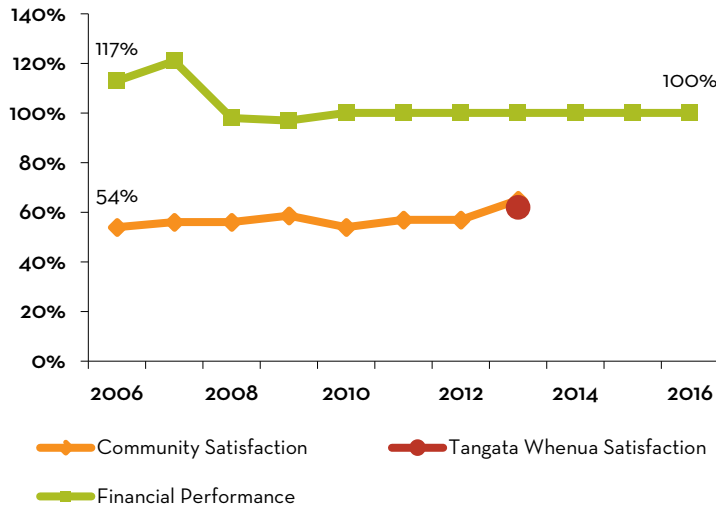
**Long Term Plan**  
How the Council will go about achieving the Community Outcomes.

Annual Plan  
Annual Budget.

# KEY PERFORMANCE MEASURES - RESULTS

## LEADERSHIP

### REPRESENTATION - TRENDS



**Council Financial Performance** - The financial performance index has been developed to monitor Council's financial trends and level of compliance with Treasury Policy. In 2016 Council met its financial performance target of 100%.

**Satisfaction with Council Performance** - this monitors the level of community and tangata whenua satisfaction with opportunities to participate in decision making and the level of representation. This survey is conducted on a 3 yearly basis and the next survey will be conducted in 2016/2017. Previous results revealed 65% community satisfaction and 62% tangata whenua satisfaction which achieved the target of  $\geq 55\%$ .

### PLANNING FOR THE FUTURE - TRENDS



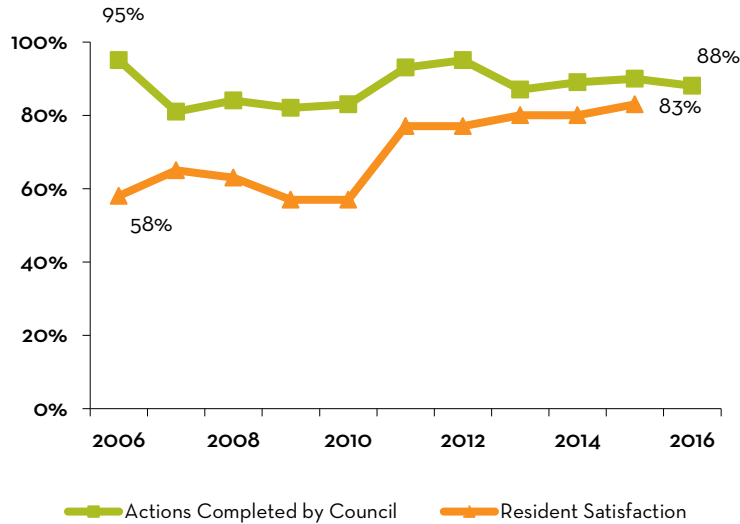
**Actions completed by Council as defined in the Planning for the Future Action Plan** - 94% of the actions scheduled for 2016, were completed. This work included the completion of Dog Policy and Bylaw review, and Freedom Camping Bylaw review. In response to the growth within the district our structure plans for Waihi Beach, Katikati and Te Puke were updated to respond to the growth and development within these areas.

**Resident Satisfaction with the Impact of Growth on the District** - this monitors the level of resident satisfaction with the impact of growth on the district. The 2016 survey revealed the level of satisfaction as 66%. Key areas of concern were housing choices, travel time and road safety.



# BUILDING COMMUNITIES

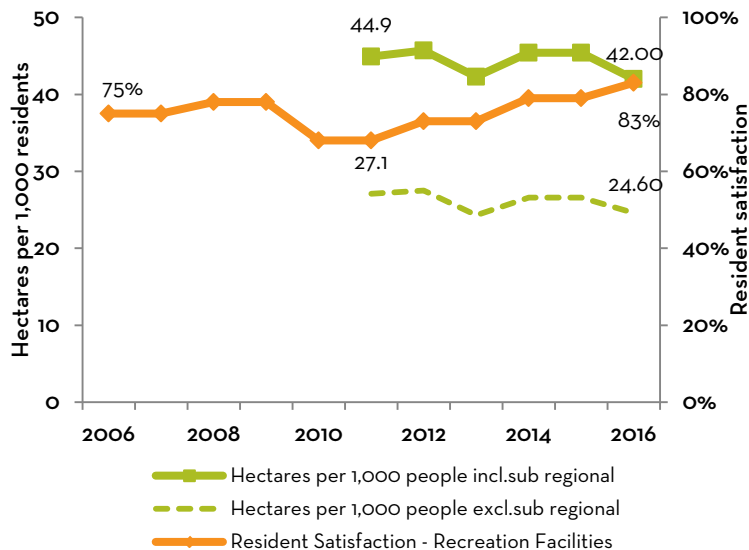
## COMMUNITIES - TRENDS



**Actions completed by Council as defined in the Communities Action Plan** - 88% of the actions scheduled in the action plan for the 2016 year were completed. The target of  $\geq 90\%$  was not achieved. This was due to delayed works at Katikati Cemetery and the Marae Maintenance programme. Also the District Libraries the target for virtual loans was not achieved.

**Resident Satisfaction with Community Development** - this survey monitors residents satisfaction with the community development programme. This is a two yearly survey and there was no survey scheduled for 2016. The 2015 survey revealed resident satisfaction of 83%.

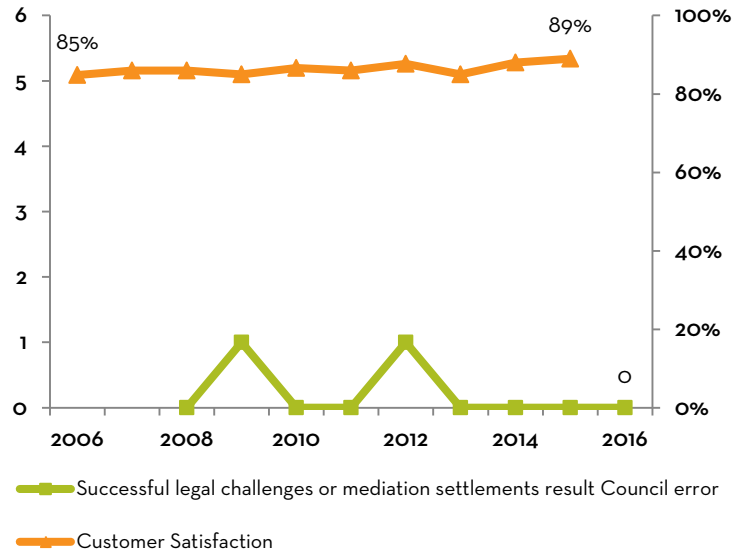
## RECREATION AND LEISURE - TRENDS



**Recreational Services provided per 1,000 people** - this monitors the park land available in the district per 1,000 people. The 2016 results show that the reserve land, excluding sub regional parks was 24.6ha against a target of 25ha. This is attributed to the population growth within the district and no further reserve land has been acquired.

**Resident Satisfaction with Reserves and Recreational Facilities and Amenities** - this survey monitors the level of satisfaction with reserves and recreational facilities and amenities. The 2016 survey revealed 83% resident satisfaction against a target of 75%.

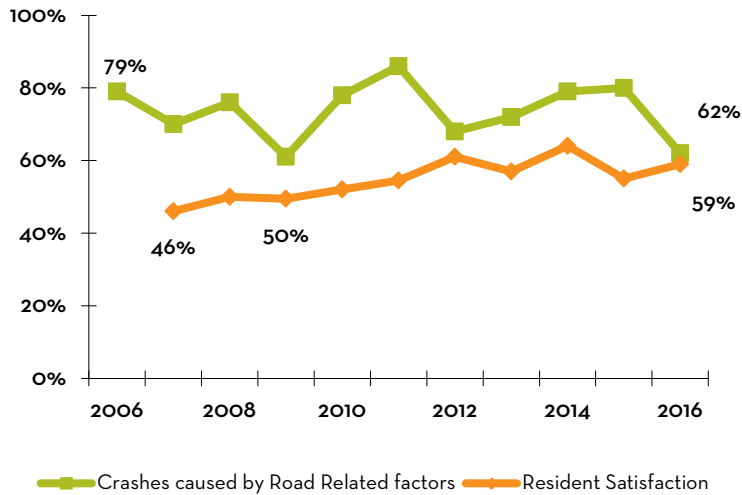
**REGULATORY SERVICES - TRENDS**



**Successful legal challenges or mediation settlements as a result of Council error** - In 2016 there were no successful challenges as a result of Council error.

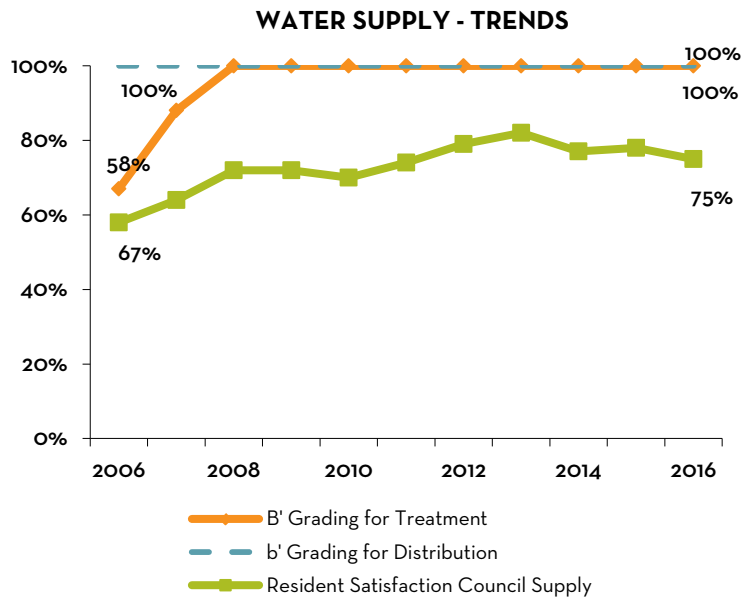
**Customer Satisfaction with Regulatory Services** - this survey monitors customer satisfaction with all regulatory services. This includes Building & Health, Resource Consents, and Animal Services. The 2016 was not completed before 30 June 2016. The survey format has been revised and will be completed in July 2016.

**TRANSPORTATION - TRENDS**



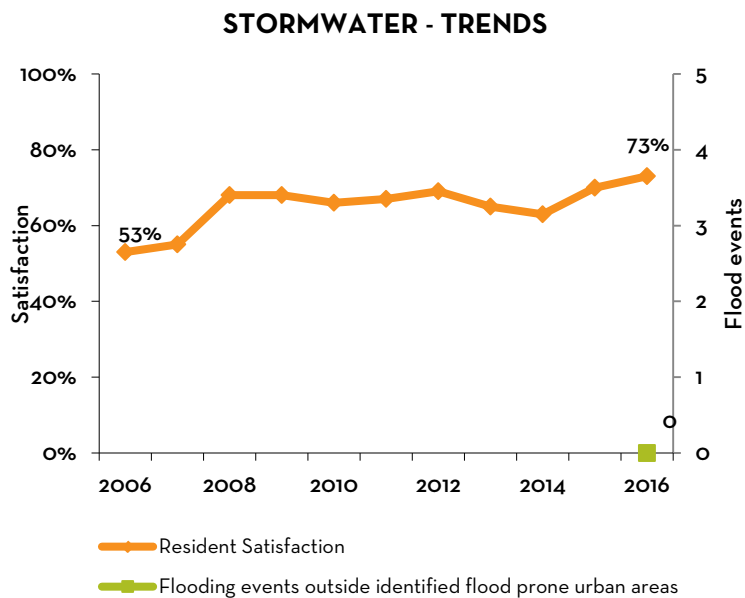
**Risk of Injury to Road User** - This monitors the number of crashes caused by road related factors (e.g. potholes, surface roughness) compared to our peer group. The result of 62% achieved the target and indicates an above average result than our peer group.

**Satisfaction with Transportation** - This survey monitors the level of satisfaction with roading, cycleways and walkways. The level of resident satisfaction in 2016 is 59%, against a target of 60%. Key reasons for dissatisfaction were related to the road seal, potholes, and roughness.



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

**Resident Satisfaction with the quality of Council Water Supply** - this survey monitors the level of satisfaction with the Council water supply. The level of satisfaction in 2016 is 75% which did not achieve the target of  $\geq 79\%$ . Key reasons for dissatisfaction were attributed to taste, colour and use of chemicals.

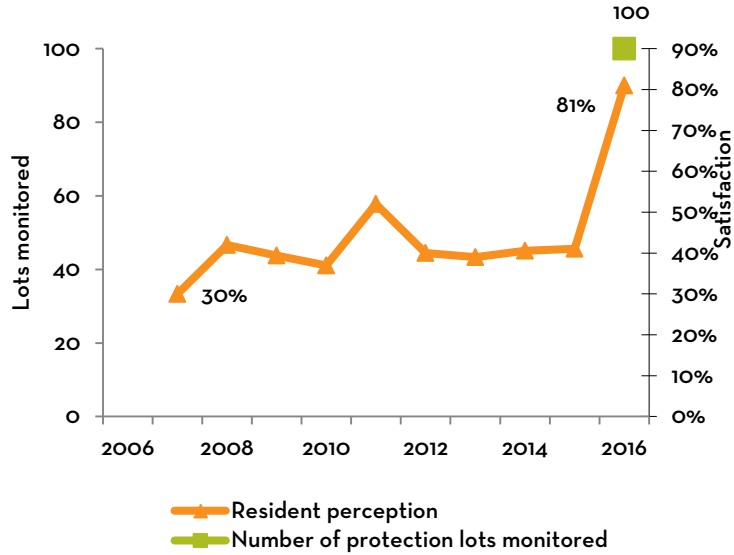


**Actions completed by Council as defined in the Stormwater Action Plan** - In the 2016 year there were no flooding events outside identified flood prone urban areas. This is the first year of monitoring this measure so there are no results for previous years.

**Resident Satisfaction with Stormwater Systems** - the level of satisfaction with stormwater systems in 2016 was 73% which achieved the target of  $\geq 65\%$ . Key reasons for dissatisfaction were related to the capacity and maintenance of drains flooding of roads and private property.

## PROTECTING THE ENVIRONMENT

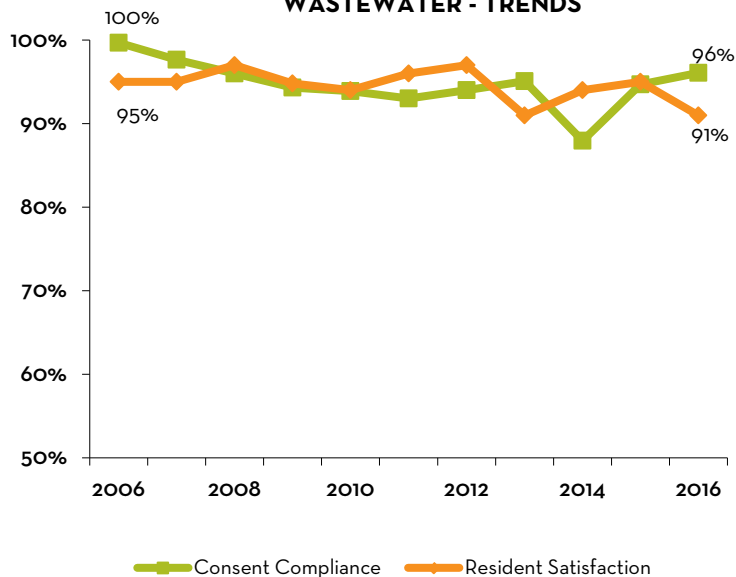
### NATURAL ENVIRONMENT - TRENDS



**Number of protection lots monitored** - In 2016 we monitored 100 protection lots to ensure there was compliance with covenants.

**Resident perception of an improvement in the environmental features** - The environmental features monitored includes quality of streams and rivers, harbours and estuaries, air quality, amount of noxious weeds, protection of historic places, general level of cleanliness and the amount and quality of native plants. The 2016 result of 81% is a significant increase from previous years. This is because the monitoring now includes those who perceive the environmental attributes have been maintained i.e. it is neither better or worse.

### WASTEWATER - TRENDS



**Level of Compliance with Resource Consents** - all wastewater treatment plants are monitored to ensure compliance with resource consent conditions. In 2016 all wastewater schemes met resource consent conditions except for Te Puke where there was equipment failure and mechanical issues.

**Resident satisfaction with Sewage Disposal Systems** - the level of satisfaction with Council sewage disposal systems is 91% which meant our target of  $\geq 95\%$  was not achieved. Key reasons for dissatisfaction are based on cost and reliability.

### SOLID WASTE - TRENDS

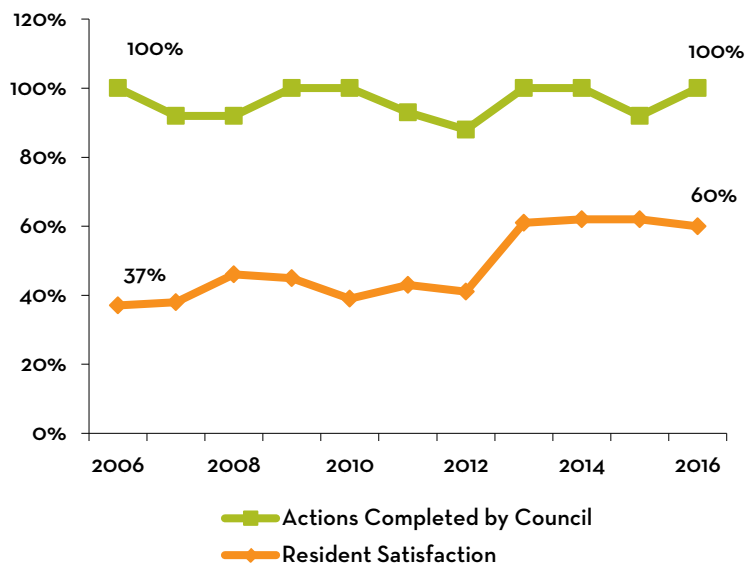


**Actions completed by Council as defined in the Solid Waste Action Plan** - Council completed all of the actions scheduled for the 2016 year. Actions included management and operation of the solid waste and recycling facilities.

**Resident satisfaction with Household Rubbish Disposal Methods** - the level of satisfaction with household rubbish disposal methods is 80% for the 2016 year which achieved the target of  $\geq 78\%$ .

## SUPPORTING OUR ECONOMY

### SUPPORTING THE ECONOMY - TRENDS



**Actions completed by Council as defined in the Economic Action Plan** - In 2016 100% of the work programme was completed. This included the payment of economic grants and town centre promotion and development.

**Resident Satisfaction with Council's Role in Promoting Business & Employment Opportunities** - this survey monitors the level of satisfaction with Council's role in promoting employment and business opportunities within the sub region. The level of satisfaction in 2016 was 60%, which means the target of  $\geq 60\%$  was achieved.

## SUPPORT SERVICES

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

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

## 2015/16 HIGHLIGHTS

Council is a shareholder of the New Zealand Local Government Funding Agency Limited. This entity was created to provide more cost effective financing specifically to local authorities and Western Bay estimates that the on-going and enduring impact of the LGFA has saved \$400,000 - \$500,000 per annum in interest costs that would not have been made had the LGFA not been established.

Council has continued to work on its digitisation of property files and key records.

## FUTURE INITIATIVES

Council will continue to participate in the BOPLASS initiatives.



# SUMMARY EXTRACT FROM THE STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

## 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 2016. The financial statements were authorised for issue by Council on 15 September 2016.

## 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.

The full financial statements comply with PBE Standards, and the Summary financial statements comply with PBE Standards as they relate to summary financial statements.

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 2016 financial statements.

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

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

## Presentation currency and rounding

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

## Statement of Significant Accounting Policies

### Basis of consolidation

#### Associate

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

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

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

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

### Treatment of airport land

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

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

During 2015/16 Council made a change in an accounting policy for the treatment of airport land. The effect of this change in accounting policy is detailed in note 36 in the Annual Report 2015/16.

### Events after the balance date

There were no significant events after balance date.



# SUMMARY FINANCIAL REPORTS

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2016

	ACTUAL	BUDGET	ACTUAL
	\$'000	\$'000	\$'000
	2016	2016	2015
<b>Revenue from non-exchange transactions</b>			
Fees and charges from activities	6,909	3,416	5,344
Rate revenue	61,683	60,213	58,846
Fines	198	310	260
Vested assets	42,408	2,240	720
Financial contributions	7,862	7,392	2,607
Subsidies and grants	7,098	7,227	6,746
Other revenue	452	360	580
Gains	1,079	-	27,093
<b>Revenue from non-exchanged transactions total</b>	<b>127,689</b>	<b>81,159</b>	<b>102,196</b>
Revenue from exchange transactions			
Finance revenue	1,096	1,100	1,069
Dividends	249	-	265
Rental Revenue	1,200	1,017	1,119
Other exchange revenue	912	797	377
<b>Total revenue</b>	<b>131,146</b>	<b>84,072</b>	<b>105,026</b>
Expenditure			
Other expenses	33,677	33,184	46,652
Personnel costs	15,293	14,843	13,982
Depreciation	19,992	18,945	17,968
Amortisation	396	393	402
Impairment expense	471	-	364
Unrealised hedging movement	4,851	-	6,115
Finance costs	8,708	8,730	9,136
<b>Expenditure total</b>	<b>83,388</b>	<b>76,095</b>	<b>94,619</b>
Share of associate surplus/(deficit)	(25)	-	(69)
<b>Net surplus / (deficit)</b>	<b>47,733</b>	<b>7,977</b>	<b>10,338</b>
Other comprehensive revenue and expenses			
Gains/(Losses) on asset revaluations	-	28,950	94,984
Other assets at fair value through other comprehensive revenue and expense	31	-	12
<b>Total other comprehensive revenue and expense for the year</b>	<b>31</b>	<b>28,950</b>	<b>94,996</b>
<b>Total comprehensive revenue and expense for the year</b>	<b>47,764</b>	<b>36,927</b>	<b>105,334</b>

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2016

*Council recorded a net surplus of \$47.73 million (m) as compared with a budgeted operating surplus of \$7.98m.*

### The major contributors to the variance were:

- Fees and charges from activities were \$3.662m higher than the budget of \$6.513m due to increased activity seen in the housing market in the District resulting in increased receipts from fees and charges.
- Rate income of \$58.416m is \$1.300m higher than the \$57.116m budget. This is due to increased properties in the District and increased values of these properties.
- Financial contribution revenue of \$7.862m are \$470km higher than the \$7.392m budget due to increased activity seen in the housing market in the District resulting in increased receipts from fees and charges and an additional \$612k of resource consents recognised in August 2015 but incorrectly receipted in prior years.
- Vested assets income of \$42.408m is \$40.168m higher than the \$2.240m budget. This was due to New Zealand Transport Authority vesting the Te Puke highway with Council.
- Subsidies & grants income of \$7.098m was \$129k lower than budget of \$7.227m due to the timing of capital works that are eligible for NZTA funding. Subsidies are predominately from the New Zealand Transport Authority and dependent on the level of work carried out in the One Network Maintenance Contract (ONMC).
- Gains income of \$1.079m relates to the revaluation movements in Council held forestry.
- Other revenue of \$4.108m is \$524k higher than the budget of \$3.584m and includes dividends of \$249k of dividends that are not a budgeted item, and rental income including pensioner housing and motor camps where receipts were higher than budget.
- Other expenses of \$33.677m were \$493k higher than the \$33.184m budget. This variance is the result of losses on disposal of assets and impairment of receivables.
- Personnel costs of \$15.293m were \$450km higher than budget of \$14.843. Significant staff resourcing pressures in the consents and building departments has lead to increased costs to process the increase in activity. This has been more than offset by an increase in user fee income.
- Depreciation and amortisation costs of \$20.388m were \$1.050m higher than the budget of \$19.338m. This includes depreciation for Te Puke highway (\$39.5m) vested from the New Zealand Transport Authority.
- Council recognised an impairment cost of \$471k during the year. This relates to the valuation of the Te Tumu land.
- Finance costs realised of \$8.708m were \$22k lower than the budget of \$8.730m.
- Unrealised hedging movement of \$4.851m are not a budgeted item. This is a non cash accounting entry.



## STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2016

	RETAINED EARNINGS	ASSET REVALUATION RESERVE	COUNCIL RESERVES	TOTAL EQUITY
Balance at 1 July 2014 as restated	676,233	271,188	21,149	968,570
Total comprehensive income for the year	33,997	70,054	1,284	105,335
<b>Balance at 30 June 2015</b>	<b>710,230</b>	<b>341,242</b>	<b>22,433</b>	<b>1,073,905</b>
Total comprehensive income for the year	44,039	37	3,774	47,850
<b>Balance at 30 June 2016</b>	<b>754,269</b>	<b>341,279</b>	<b>26,207</b>	<b>1,121,755</b>

An adjustment of \$4.617m was made to opening retained earnings. This is explained further in note 36 in the Annual Report 2015-16.

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2016	2016	2015
<b>Total equity</b>	<b>1,121,755</b>	<b>1,035,596</b>	<b>1,073,905</b>
<b>Assets</b>			
Total current assets	24,562	17,357	22,503
Total non-current assets	1,254,192	1,182,945	1,214,387
<b>Total assets</b>	<b>1,278,753</b>	<b>1,200,303</b>	<b>1,236,890</b>
<b>Liabilities</b>			
Total current liabilities	41,630	26,173	34,607
Total non-current liabilities	115,368	138,534	128,379
<b>Total liabilities</b>	<b>156,998</b>	<b>164,707</b>	<b>162,986</b>
<b>Net assets</b>	<b>1,121,755</b>	<b>1,035,596</b>	<b>1,073,905</b>

## MAJOR VARIANCES

- Property, plant and equipment was \$38.858m higher than last year. The increase reflects capitalisation of completed projects and vesting of the Te Puke state highway of \$39.5m.
- Debtors and other receivables decreased by \$4.0m as a result of improved collections.
- Borrowings were \$20.003m lower than budget and \$10.00m lower than last year due to repayment of debt maturities and expenditure control.
- Councils unrealised interest rate swaps liability of \$14.797m compared to \$9.946m in 2015. This is due to the volatility of interest rate movements and as a result Council does not budget for this.

## STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2016

	NOTE	ACTUAL	BUDGET	ACTUAL
		\$'000	\$'000	\$'000
		2016	2016	2015
<b>Cash flows from operating activities</b>				
Receipts from rates revenue		62,675	56,563	58,651
Other income		25,812	24,023	17,703
Regional Council rates		5,903	2,775	5,203
Total operating cash provided		94,390	83,361	81,557
Total investing cash applied		(64,378)	(59,609)	(56,829)
<b>Net cash from operating activities</b>	<b>33</b>	<b>30,012</b>	<b>23,752</b>	<b>24,728</b>
<b>Cash flows from investing activities</b>				
Total investing cash provided		654	85	287
Total investing cash applied		(16,298)	(28,308)	(15,232)
<b>Net cash from investing activities</b>		<b>(15,644)</b>	<b>(28,223)</b>	<b>(14,945)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		-	15,000	-
Repayment of borrowings		(10,000)	(10,000)	(18,003)
<b>Net cash from financing activities</b>		<b>(10,000)</b>	<b>5,000</b>	<b>(18,003)</b>
Net (decrease)/increase in cash held		4,368	529	(8,220)
Cash, cash equivalents and bank overdrafts at the beginning of the year		12,813	5,411	21,033
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>14</b>	<b>17,181</b>	<b>5,940</b>	<b>12,813</b>

## MAJOR VARIANCES

## THE MAJOR VARIANCES TO BUDGET WERE:

- 2016 actual movement was a net increase in cash held of \$4.368m versus a budgeted net increase of \$529k and actual 2015 net decrease in cash held \$8.220m.
- Net cash flows from operating activities of \$30.012m versus \$23.752m budget and last year actual of \$24.728m. Compared to budget, receipts from rates has increased \$6.112m due to increased properties in the District and increased values of these properties. Other revenue income has increased by \$1.766m due to increased building activity in the District and associated consent fees. This has been offset by increased payment to suppliers of \$1.838m.
- Net cash flows from investing activities of (\$15.644)m versus (\$28.223)m budget and last year actual of (\$14.945)m. The majority of this positive variance can be attributed to reduced purchases of property, plant and equipment.
- Net cash flows from financing activities of (\$10.000)m versus \$5.000m budget and last year actual of (\$18.003)m. This reflects Council's reduction in debt during the year. Less debt refinancing was required due to a slower than forecast capital works programme.

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

	ACTUAL	ACTUAL
	\$'000	\$'000
	2016	2015
<b>Net surplus / (deficit)</b>	47,733	10,338
<b>Add/(less) non-cash items</b>		
Depreciation and amortisation	20,388	18,370
Vested assets	(42,408)	(720)
Gain on revaluation of assets	(509)	(26,738)
Gain on valuation of forestry assets	(643)	(355)
Investment in associates movement	(25)	-
Loss on sale of assets	124	2,678
Loss on valuation of assets	-	13,549
Landfill aftercare provision movement	(10)	(10)
Provision for doubtful debts movement	362	366
Unrealised interest	(692)	(619)
Employee expenses	-	-
Unrealised hedging movement	4,851	6,116
Impairment of financial instrument	471	364
<b>Add/(less) movements in working capital items:</b>		
Accounts receivable	1,134	(1,129)
Accounts payable	(795)	2,506
<b>Add/(less) items classified as investing activities</b>		
Revaluation of shares	31	12
<b>Net cash inflow (outflow) from operating activities</b>	<b>30,012</b>	<b>24,728</b>

## SUMMARY OF COST OF SERVICES - COUNCIL

## TOTAL OPERATING REVENUE

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2016	2016	2015
<b>Significant activities</b>			
Representation	2,890	2,943	2,495
Planning for the future	1,951	2,195	2,382
Communities	5,768	5,410	5,476
Recreation and leisure	8,114	7,490	14,825
Regulatory services	7,360	5,449	5,044
Transportation	65,302	24,427	39,044
Water supply	11,439	10,410	10,587
Stormwater	5,999	6,024	3,090
Natural environment	664	598	245
Wastewater	12,682	12,480	10,233
Solid waste	1,721	1,814	1,650
Economic	980	993	1,422
Council services	6,276	3,838	8,533
<b>Total operating revenue by activity</b>	<b>131,146</b>	<b>84,072</b>	<b>105,026</b>
<b>Council services</b>	<b>131,146</b>	<b>84,072</b>	<b>105,026</b>

## TOTAL OPERATING EXPENDITURE

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2016	2016	2015
<b>Significant activities</b>			
Representation	2,834	2,943	2,395
Planning for the future	1,913	2,015	2,770
Communities	5,490	5,428	5,535
Recreation and leisure	5,955	6,449	17,492
Regulatory services	6,692	5,177	4,731
Transportation	21,451	19,767	19,105
Water supply	10,083	10,415	10,226
Stormwater	3,997	4,222	4,753
Natural environment	696	711	407
Wastewater	12,314	12,360	12,524
Solid waste	1,305	1,763	1,152
Economic	818	625	1,071
Council services	9,840	4,219	12,458
<b>Total operating expenditure by activity</b>	<b>83,388</b>	<b>76,095</b>	<b>94,619</b>
<b>Council services</b>	<b>83,388</b>	<b>76,095</b>	<b>94,619</b>

## STATEMENT OF COMMITMENTS AT 30 JUNE 2016

	ACTUAL \$'000	ACTUAL \$'000
	2016	2015
<b>Capital commitments approved and contracted</b>	<b>25,331</b>	<b>28,590</b>
Non-cancellable operating lease commitments Plant and equipment		
Not later than one year	154	161
Later than one year and not later than two years	124	154
Later than two years and not later than five years	198	299
Later than five years	952	976
<b>Total non-cancellable operating leases</b>	<b>1,428</b>	<b>1,590</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 of 30 June 2016 \$58.13 million remained committed on this contract for the remaining 64 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 of 30 June 2016 \$12.93 million remained committed on this contract for the remaining 36 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.

## CONTINGENCIES

	ACTUAL \$'000	ACTUAL \$'000
	2016	2015
Building Act claims	50	50
Weathertight Homes Resolution Service (WHRS)	600	600
Weathertightness claim	-	1,500
Local Authority Protection Programme Disaster Fund (LAPP)	380	380
Goldenlight Enterprises Ltd	600	-
<b>Total contingent liabilities</b>	<b>1,630</b>	<b>2,530</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 (2015: \$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 three additional claims lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2016 (2015: one additional claim). 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. None of these claims have been closed. There are a total of 12 claims that are still open as at balance date (2015: nine).

The three additional claims lodged during 2016 are a result of the Weathertight Homes Resolution Amendment Act 2016 being passed on 14 March 2016

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

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

Any costs associated with a successful claim received after 1 July 2009 will be entirely met by Western Bay. As a result \$600,000 has been recognised as a contingent liability.

**Weathertightness Claims**

During 2014/15 a property owner filed a claim \$1,500,000 against Council for issuing Code Compliance Certificate (CCS) to a property with weathertightness issues. This claim was resolved during the year.

**Goldenlight Enterprises Ltd**

Goldenlight Enterprises Ltd and Jeff Cook versus Western Bay of Plenty District Council and Others is a claim in preliminary stages for the failure of a private right of way within a subdivision consented by Council in 1992. Council's legal advisors have assessed the overall claim against Council and their assessment is that overall the claim against Council is weak and lacking in merit. If Council is found liable, the potential claim could be up to \$600,000.

**New Zealand Local Government Funding Agency (LGFA)**

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

As at 30 June 2016 there were 31 (2015: 31) shareholders made up of 30 local authorities and the Crown.

All 30 local authority shareholders have uncalled capital equal to their individual shareholding and totalling \$2,500 million in aggregate which can be called on in the event that an imminent default is identified. The shareholders are also guarantors of the LGFA balance sheet and the borrowings of all other local authorities which totalled \$5,376m (2015: \$3,889m) 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.

**Local Authority Protection Programme Disaster Fund (LAPP)**

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

Share of associates' contingent liabilities

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



## RELATED PARTY TRANSACTIONS

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

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

## TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

	ACTUAL \$'000	ACTUAL \$'000
	2016	2015
Salaries and other short term employee benefits	1,073	975
Termination benefits	-	335
<b>Total senior management remuneration</b>	<b>1,073</b>	<b>1,310</b>

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

## ELECTED MEMBER REMUNERATION

	ACTUAL \$'000	ACTUAL \$'000
	2016	2015
Councillors	497	460
Community board members	103	93
<b>Total elected member remuneration</b>	<b>600</b>	<b>553</b>

## AUDIT REPORT

**Independent Auditor's Report****To the readers of  
Western Bay of Plenty District Council's summary annual report  
for the year ended 30 June 2016**

The summary 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 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 8 to 25:

- the summary statement of financial position as at 30 June 2016;
- 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 2016;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary key performance measures - results of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 15 September 2016.

**Opinion**

In our opinion:

- the summary 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.

**Basis of opinion**

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

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

## AUDIT REPORT

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

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



Clarence Susan  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
15 September 2016