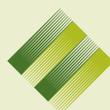




SUMMARY ANNUAL REPORT

For Year Ended 30 June 2018



*Western Bay of Plenty
District Council*



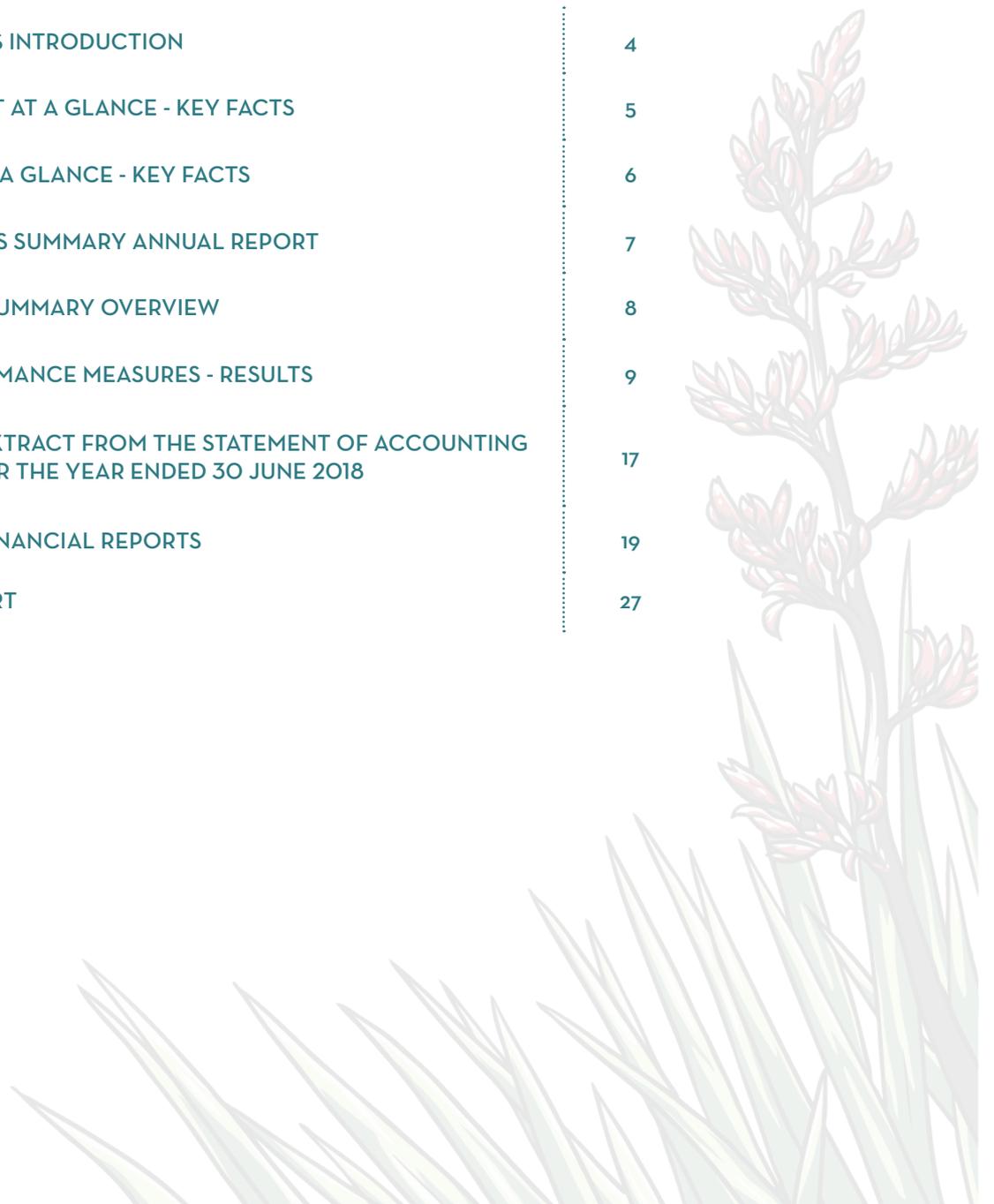
DISCLAIMER

The specific disclosures in this financial summary report have been extracted from the full financial report dated 20 September 2018. 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 20 September 2018. A copy of the Western Bay of Plenty District Council 2017/2018 Annual Report is available to view from Council's Head Office, Barks Corner, Greerton, Tauranga or Council's website at www.westernbay.govt.nz.

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THE MAYOR'S INTRODUCTION

For year ended 30 June 2018

A growing District

The Western Bay of Plenty District continues to experience strong growth. Annual GDP growth of 9 percent outstripped the national average of 6.2 percent and growth in employment was 6.5 percent compared to 3.7 percent nationally. On the ground, economic growth has translated into a doubling of the value of building consents issued over the year. These are just a few of the many positive indicators underpinning the Western Bay story.

Council playing its part

Council has worked hard to ensure it supports and encourages the District's prosperity through the roles it plays in providing essential public services and regulation. Some highlights of the year include:

- Completion of the new Katikati library and community hub: The Centre - Patuki Manawa which opened in August 2018
- Commissioning of the Te Puna West wastewater scheme
- Continued construction of the Omokoroa - Tauranga Cycleway
- Completion of the Te Puke Highway revocation project
- Development of the Omokoroa Special Housing Area
- Reviewing our waste minimisation policy in light of central government guidelines.

Financial management

Prudently managing Council's assets and finances is critical to maintaining sustainable public services into the future. Council has retained its AA/ A-1+ credit rating from Standard and Poor's which reflects its continued prudent debt management, planning for growth and reaping the benefits of a larger rating base.

Key financial measures include:

- Revenue of \$149m, up \$43m from 2016/17
- A \$1.95m reduction in net debt to \$98m.

Looking ahead

During the year we completed our 2018/28 Long Term Plan, which reflects a clear message from Western Bay residents they want Council to continue to take a 'steady as we grow' approach while prudently managing operational and capital expenditure.



Garry Webber
Mayor, Western Bay of Plenty
District Council

Council is confident the strategies, actions and performance measures in the Long Term Plan will deliver on these expectations against a forecast average rate increases of no more than four per cent (including inflation) for existing ratepayers over the next ten years.

Looking forward, macro economic forces nationally and globally pose risks around whether growth across the District can be sustained as a 'new normal'. Against this background Council remains focussed on keeping a tight reign on finances and looking for more opportunities to improve our efficiency and address performance and service gaps.

Close attention will continue to be paid on the new Government's policy priorities and potential impact on the local government operating environment. Council needs to be ready and able to influence and anticipate change.

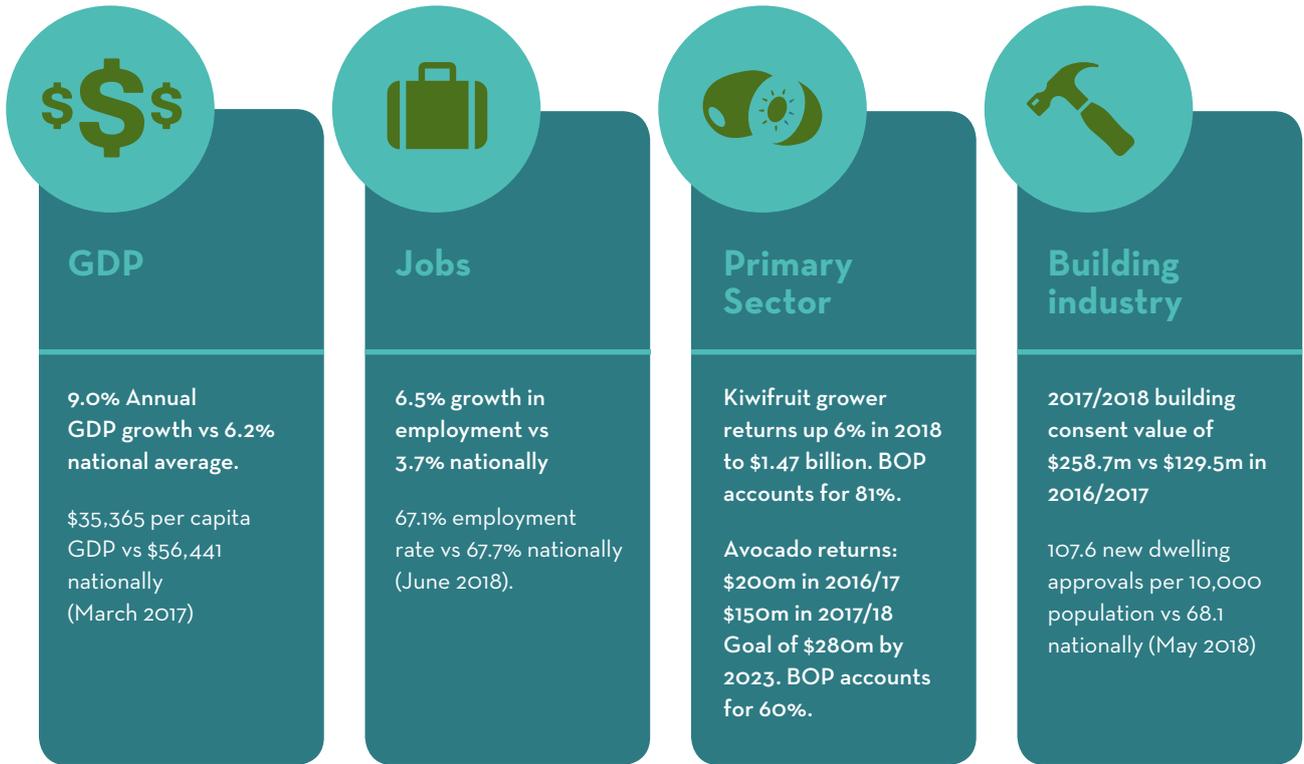
My sincere thanks to fellow elected members for their direction and the Chief Executive and staff for their expertise and willingness to work as a team for the benefit of Western Bay of Plenty residents.

A handwritten signature in black ink that reads "Garry Webber". The signature is fluid and cursive.

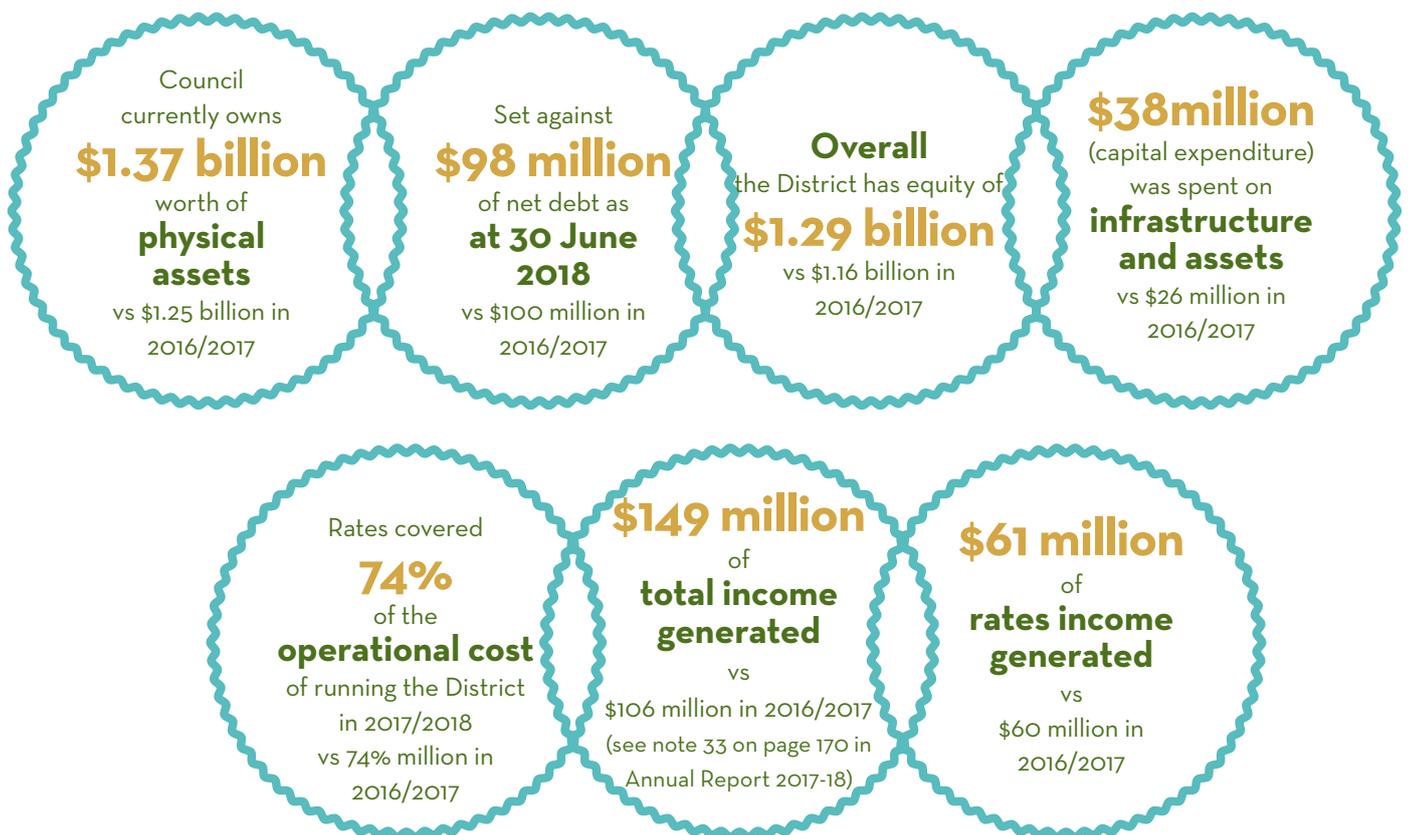
Garry Webber
Mayor, Western Bay of Plenty District Council



THE DISTRICT AT A GLANCE - KEY FACTS



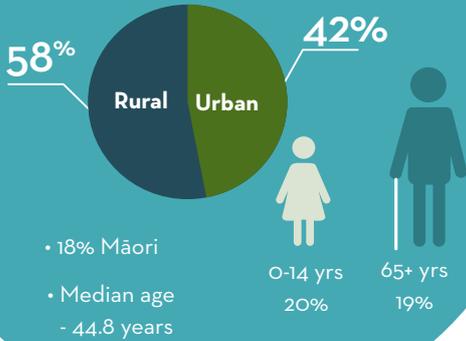
PLAYING OUR PART



COUNCIL AT A GLANCE - KEY FACTS

OUR PEOPLE

 Estimated population 49,285



OUR CUSTOMERS

21,144 Ratepayers

77% Connected to council water supply

45% Connected to council wastewater treatment and disposal



OUR LAND

- 212,000 hectares
- 202 kilometres of harbour
- 55 kilometres of ocean beach
- Outstanding soil conditions that grow a basket of 'super foods' from Kiwifruit to some of the world's highest grade dairy, beef and lamb products



OUR COMMUNITIES

Rich tapestry of **small thriving communities**

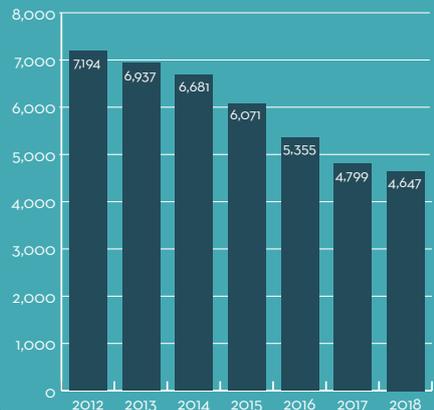
Three wards Katikati/
Waihi Beach, Kaimai, Maketu/
Te Puke

An incredibly **strong sense of place**, resilience and ability to adapt



OUR DEBT

Net debt per rateable property



ROLE OF THIS SUMMARY ANNUAL REPORT

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

PLANNING AND REPORTING FRAMEWORK

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

LONG TERM PLAN (LTP)

(Section 93) 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 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.

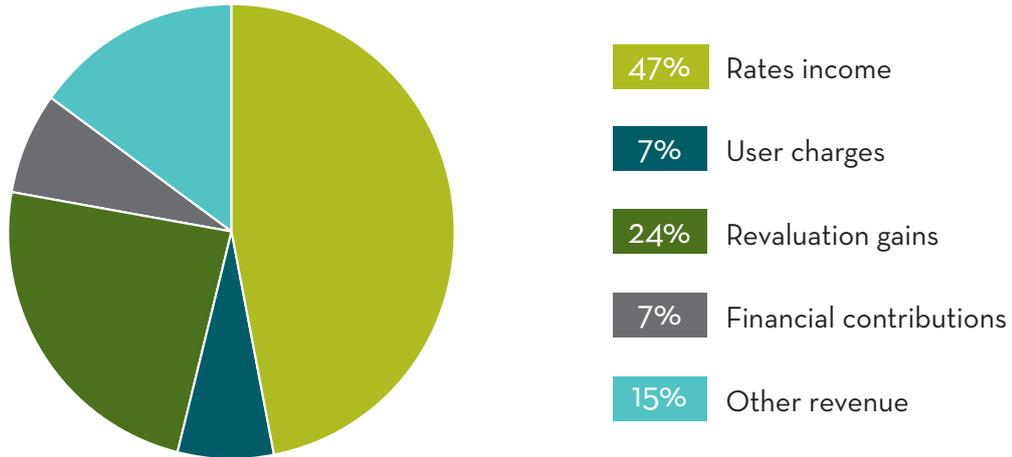
BRINGING THE PLANNING PROCESS TOGETHER



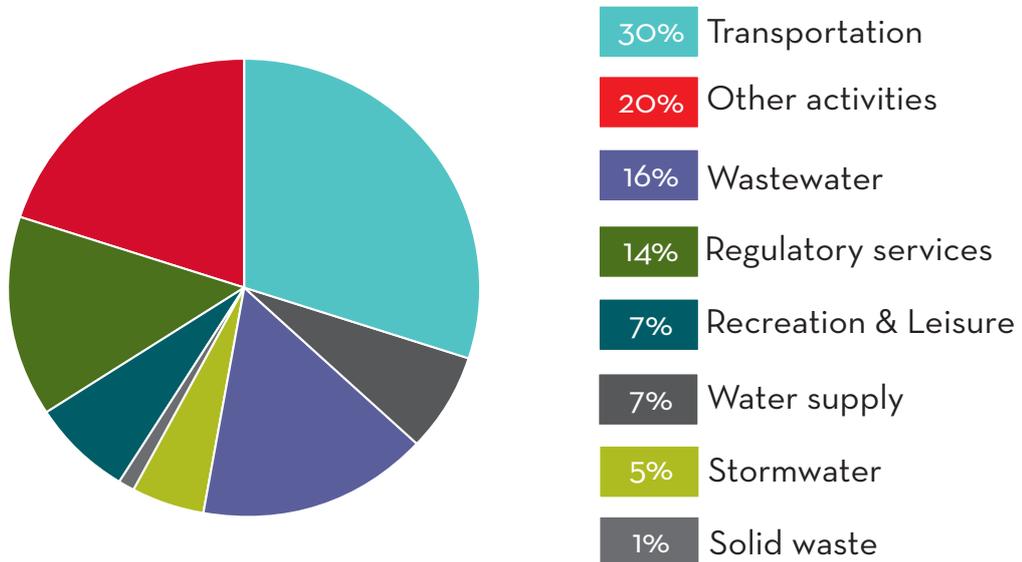
FINANCIAL SUMMARY OVERVIEW

Western Bay Council has reported a net surplus of \$66.2 million compared with a budgeted operating surplus of \$16.83 million. The major contributor to this increased surplus was financial contributions, vested assets and gains from asset revaluation.

Council Revenue 2017/18
(excluding vested assets)
\$138.0m

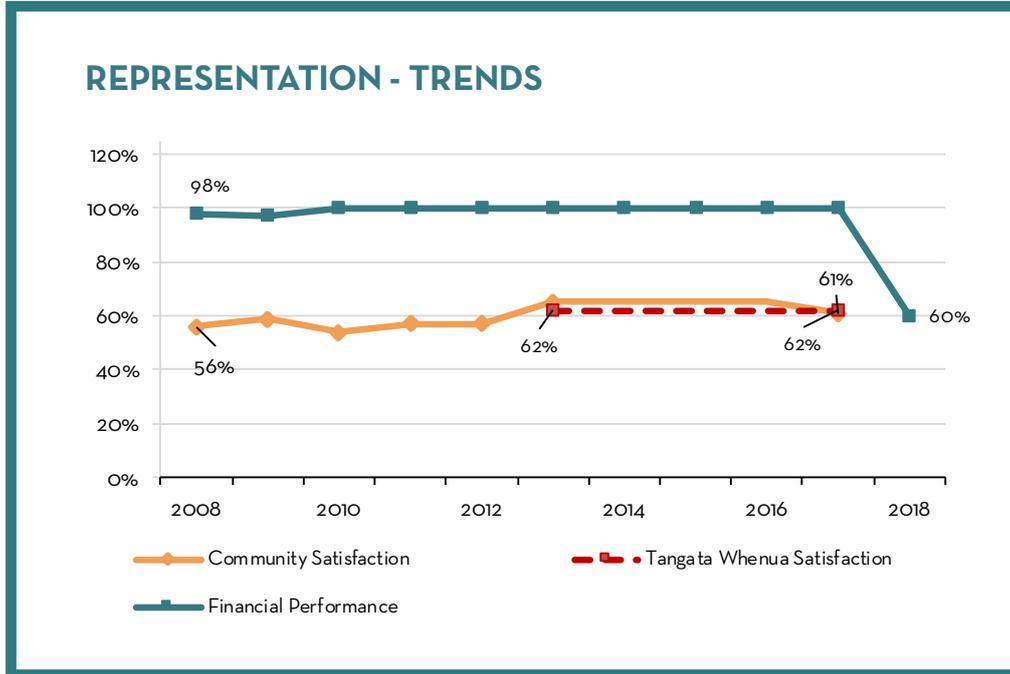


Council Operating Expenditure 2017/18
\$82.7m



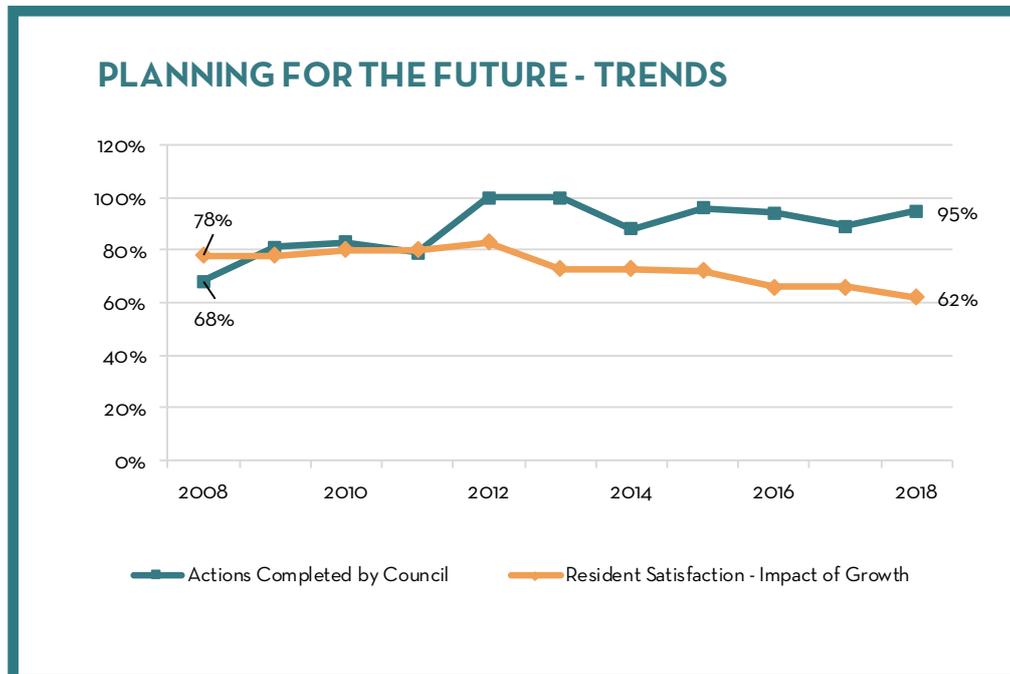
KEY PERFORMANCE MEASURES - RESULTS

LEADERSHIP



Council Financial Performance - the financial performance index monitors Council's financial trends and level of compliance with the Treasury Policy. In 2018 the result of 60% was due to higher interest expense and the liquidity ration was non compliant due to the timing of capital expenditure at the end of the financial year.

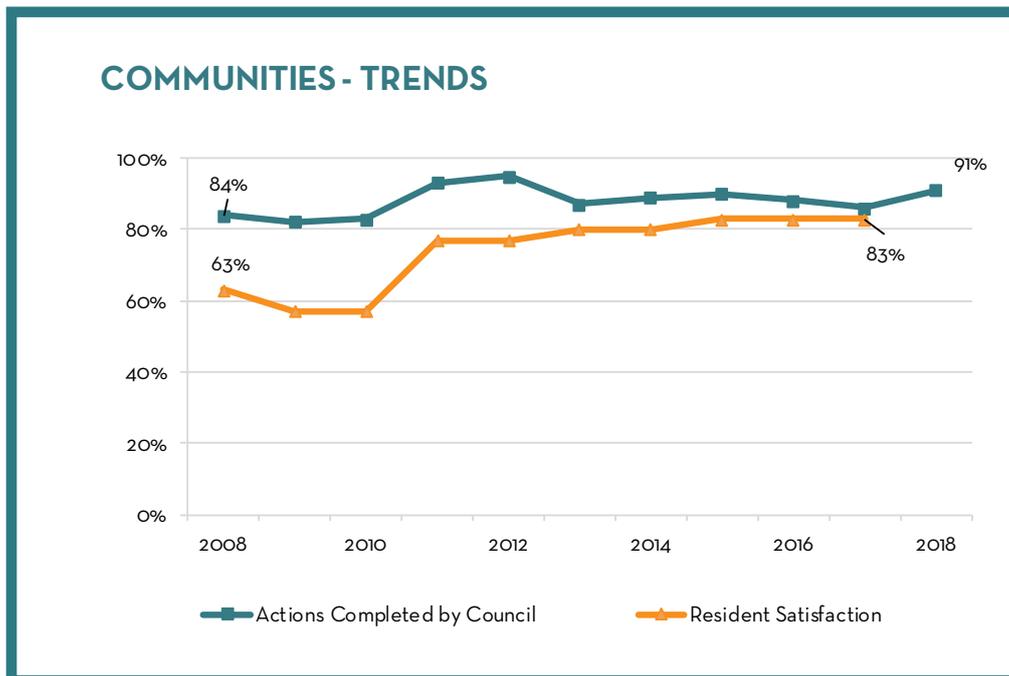
Satisfaction with Council Performance - this monitors the level of community and tangata whenua satisfaction with opportunities to participate in decision making and the level of representation. In the 2018 year no survey was undertaken. The next survey is scheduled for 2019.



Actions completed by Council as defined in the Planning for the Future Action Plan - 95% of the actions scheduled for 2018 were completed. Work included Councils Long Term Plan, Easter Sunday Shop Trading Policy, Kaimai Reserve Management Plan, Te Puke Plan Change and Omokoroa Industrial Review plan change.

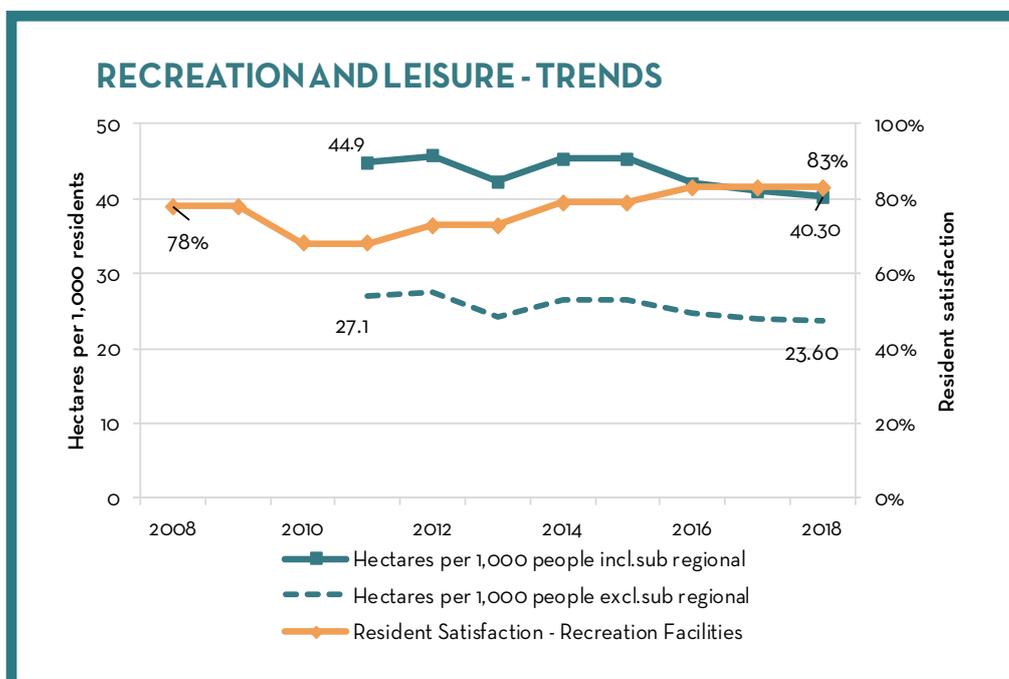
Resident Satisfaction with the Impact of Growth on the District - the factors monitored include lifestyle, range of housing choices, personal and road safety, travel time, and employment opportunities. The 2018 survey result of 62% is considerably less than the previous result of 89%. Key areas of dissatisfaction were related to travel time and road safety.

BUILDING COMMUNITIES



Actions completed by Council as defined in the Communities Action Plan - 91% of the actions scheduled in the action plan for the 2017 year were completed. This included management of community halls and cemeteries, Library operations and the Safer Communities initiative.

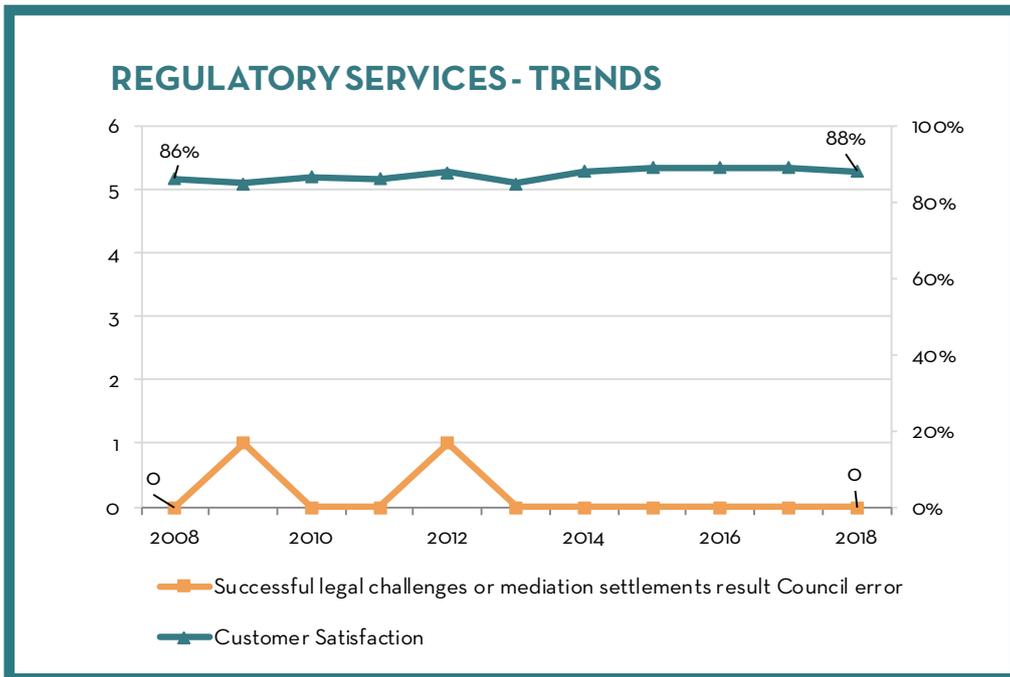
Resident Satisfaction with Community Development - this survey monitors residents satisfaction with the community development programme. It is conducted on a two yearly basis and the 2017 survey revealed 83% resident satisfaction.



Recreational Services provided per 1,000 people - this monitors the park land available in the district per 1,000 people. The 2018 results show that the reserve land available per 1,000 people is declining. This is attributed to the population growth within the district and new reserves from recent development are not yet in effect.

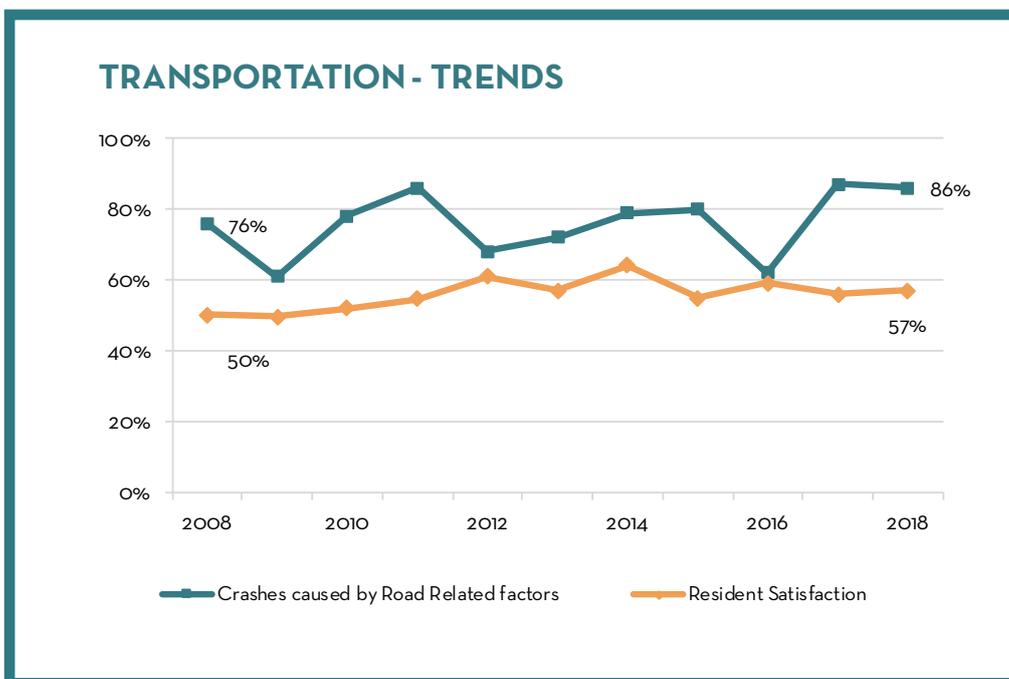
Resident Satisfaction with Reserves and Recreational Facilities and Amenities - this survey monitors residents satisfaction with reserves and recreational facilities and amenities. The 2018 survey revealed 83% resident satisfaction.

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 2010 there was no successful challenges as a result of Council error.

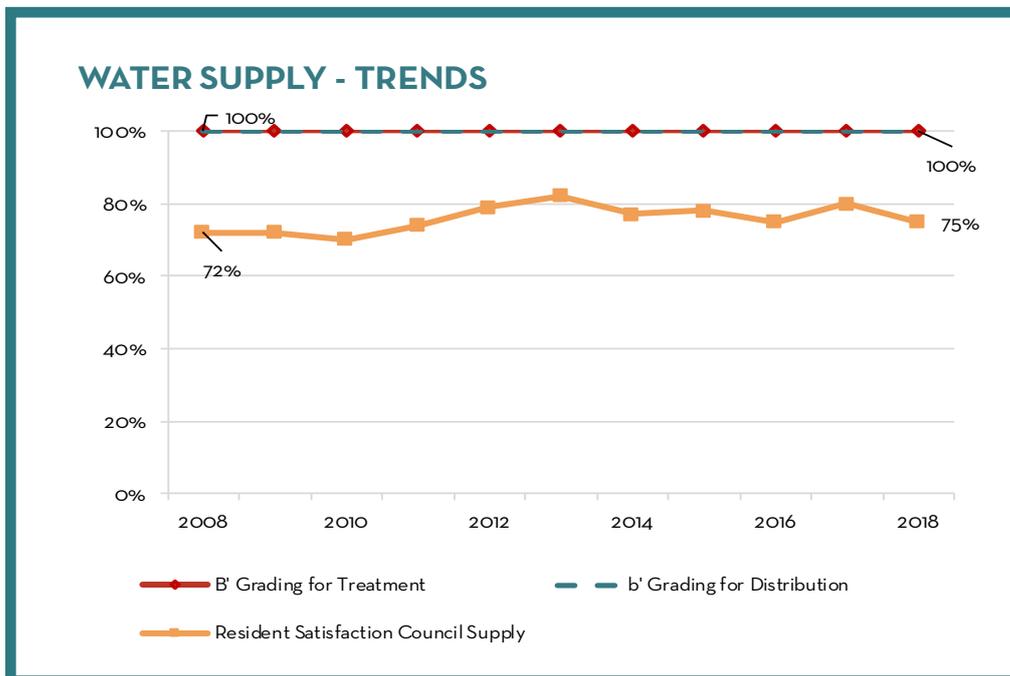
Customer Satisfaction with Regulatory Services - this survey monitors customer satisfaction with the level of service provided by Regulatory Services. The 2018 survey revealed 88% satisfaction with Building Consents and Resource Consents



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 86% indicates an above average result than our peer group.

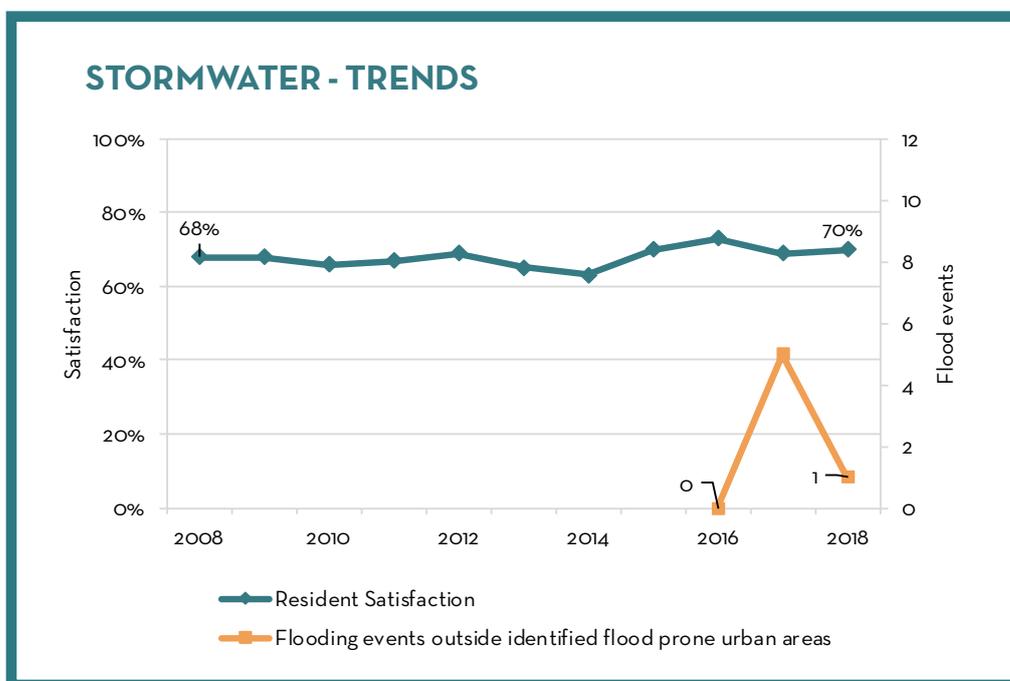
Satisfaction with Transportation - this survey monitors the level of satisfaction with roading, cycleways and walkways. The level of resident satisfaction in 2018 is 57%, against a target of 60%. Key reasons for dissatisfaction were related to the road works, potholes, and cycleway/footpath safety.

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 a 'b' grading for distribution.

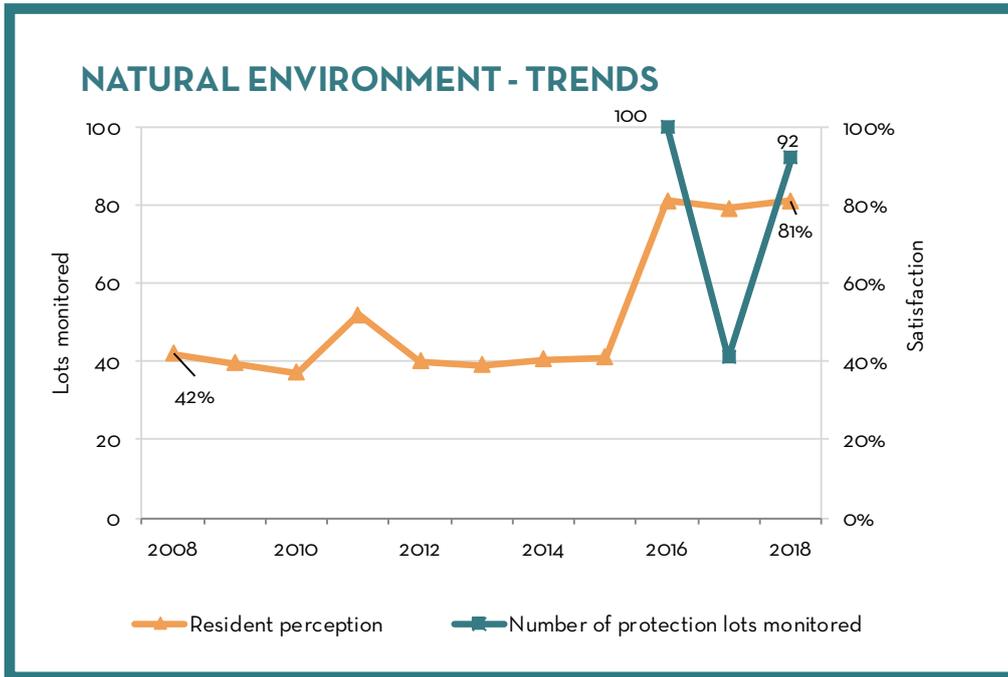
Resident Satisfaction with the quality of Council Water Supply - this survey monitors the level of satisfaction with the Council water supply. The level of satisfaction in 2018 is 75%. Key reasons for dissatisfaction were attributed to colour and the use of chemicals.



Actions completed by Council as defined in the Stormwater Action Plan - in 2018 year there was one flooding event that caused flooding outside identified flood prone urban areas. This is a result reflective of the number of significant weather events during the year. In 2017 when there were five.

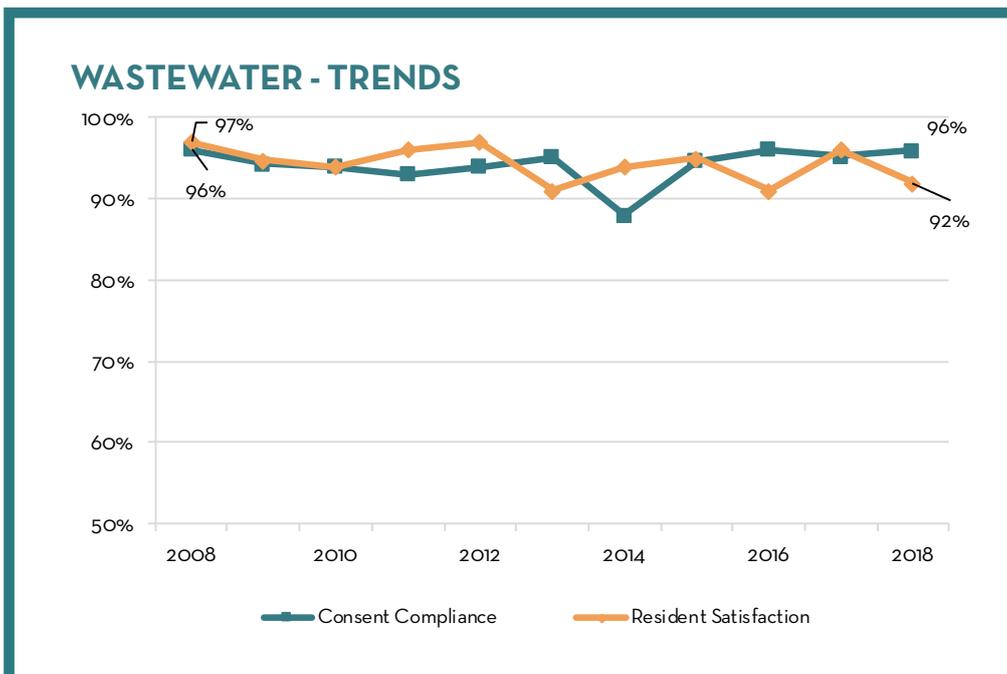
Resident Satisfaction with Stormwater Systems - the level of satisfaction with stormwater systems in 2018 is 70%. This is consistent with the 2017 result of 69%. Key reasons for dissatisfaction relate to roads flooding and maintenance of drains.

PROTECTING THE ENVIRONMENT



Number of protection lots monitored - in 2018 92 protection lots were monitored. This was a significant increase from the previous year.

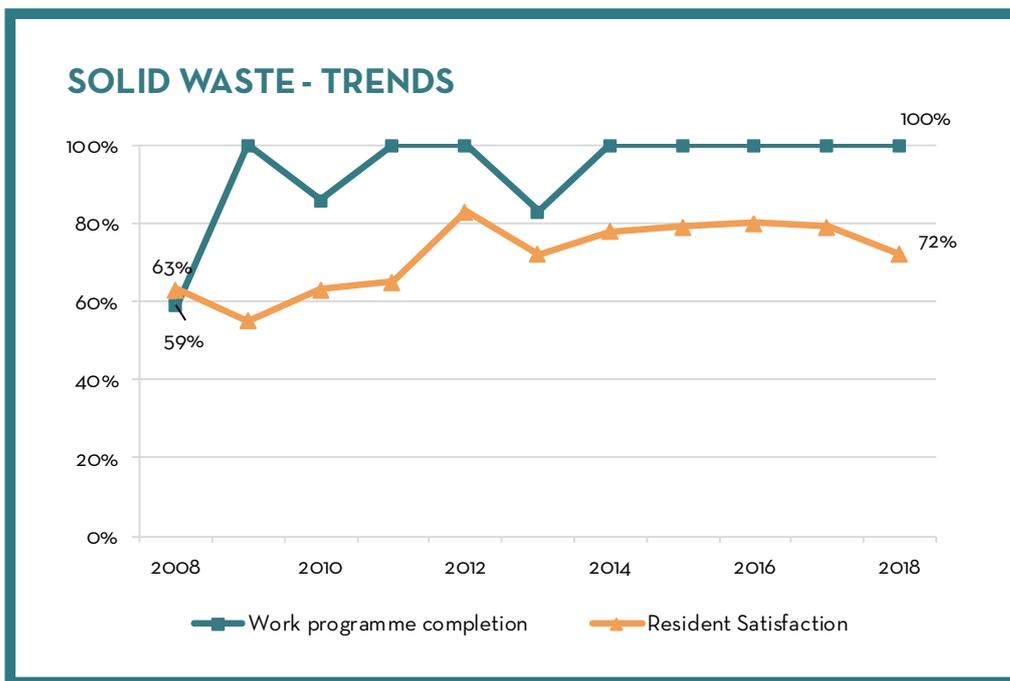
Resident perception of an improvement in the environmental features - the environmental features monitored includes quality of streams and rivers, harbours and estuaries, air quality, amount of noxious weeds, protection of historic places, general level of cleanliness and the amount and quality of native plants. The 2018 result 81% which is a slight increase from 2017 result of 79%. From 2016 monitoring included those who perceive the environmental attributes have been maintained i.e. its is neither better or worse.



Level of Compliance with Resource Consents - all wastewater treatment plants are monitored to ensure compliance with resource consent conditions. In 2018 targets were not achieved due to mechanical issues (Maketu), aeration and blower issues (Te Duke) and capacity issues during holiday periods (Waihi Beach).

Resident satisfaction with Sewage Disposal Systems - the level of satisfaction with Council sewage disposal systems is 92%. This is a 4% reduction from the 2017 result. The key reason for dissatisfaction is that the wastewater charges are considered too expensive.

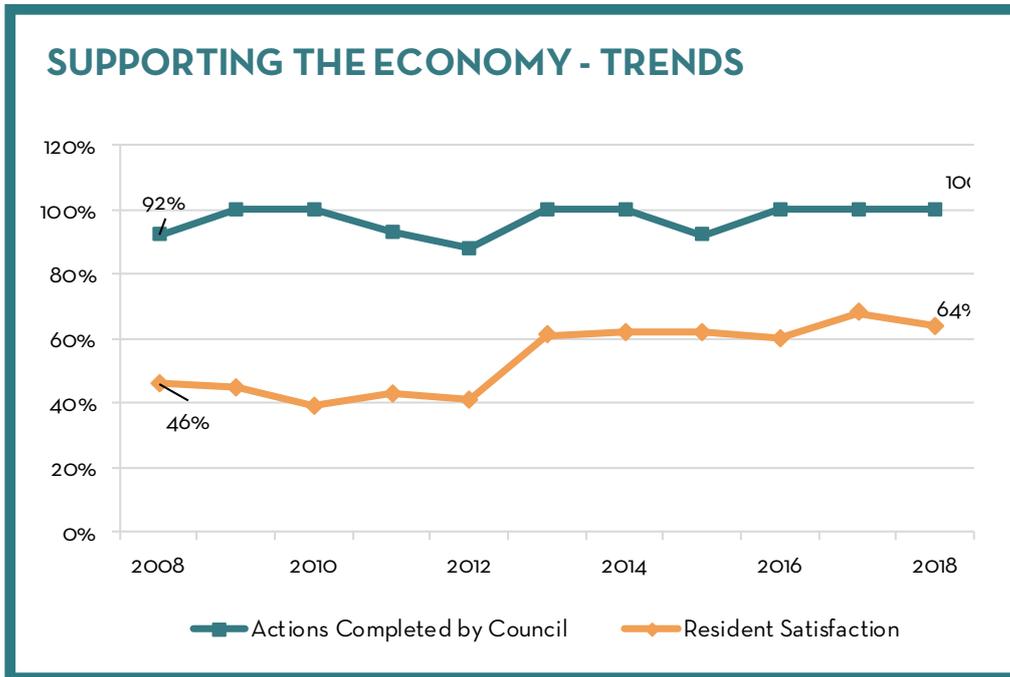
PROTECTING THE ENVIRONMENT



Actions completed by Council as defined in the Solid Waste Action Plan - Council completed all of the actions scheduled for the 2018 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 72% for the 2018 year. This is a 7% reduction from 2017. Key reasons for dissatisfaction relate to the removal of the glass pick up, charges for recycling and greenwaste considered to expensive and recycling limitations.

SUPPORTING OUR ECONOMY



Actions completed by Council as defined in the Economic Action Plan - In 2018, 100% of the work programme was completed. This included the payment of economic grants and town centre promotion and development activities.

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 2018 was 64% which is a 4% decrease from 2017.

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

2017/18 HIGHLIGHTS

Council is a shareholder of the New Zealand Local Government Funding Agency Limited (LGFA). 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 approximately \$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 the digitisation of its 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 2018

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 2018. The financial statements were authorised for issue by Council on 20 September 2018.

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 2018 financial statements.

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

Interests in other entities

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

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

Financial instruments

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

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

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

Employee benefits

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

Service Performance Reporting

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

Changes in Accounting Policies

Revenue from rates (excluding water by meter) is now recognised once the rates are struck in accordance with PBE IPSAS 23 Non-exchange Revenue. Previously revenue from rates was recognised when instalment invoices were issued. As rates are invoiced for the period 1 July to 30 June each year it is not expected that this change will have any impact on the prospective rates revenue.

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. 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.



A walkway in
Katikati

SUMMARY FINANCIAL REPORTS

WESTERN BAY OF PLENTY DISTRICT COUNCIL

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2018

	ACTUAL	BUDGET	ACTUAL
	\$'000	\$'000	\$'000
	2018	2018	2017
Revenue from non-exchange transactions			
Fees and charges from activities	9,131	5,439	6,282
Rate revenue	65,044	64,670	63,657
Fines	177	245	201
Vested assets	10,965	2,240	3,658
Financial contributions	9,506	10,020	10,993
Subsidies and grants	15,994	12,818	10,359
Other revenue	503	617	464
Fair value movement in derivative financial instruments	794	-	5,142
Gains	33,055	-	1,542
Revenue from non-exchange transactions total	145,169	96,048	102,296
Revenue from exchange transactions			
Finance revenue	1,468	1,280	1,272
Dividends	132	100	227
Rental Revenue	1,001	1,053	1,093
Other exchange revenue	1,227	700	1,357
Total revenue	148,997	99,182	106,247
Expenditure			
Other expenses	36,290	35,037	35,966
Personnel costs	18,588	19,340	16,830
Depreciation	18,678	19,926	19,052
Amortisation	916	248	360
Impairment expense	-	-	-
Unrealised hedging movement	-	-	-
Finance costs	7,920	7,800	8,246
Expenditure total	82,392	82,352	80,454
Share of associate surplus/(deficit)	(16)	-	(205)
Net surplus / (deficit)	66,589		25,587
Other comprehensive revenue and expenses			
Gains/(Losses) on asset revaluations	65,960	-	-
Reversal of impairment	-	-	7,868
Other assets at fair value through other comprehensive revenue and expense	78	-	76
Total other comprehensive revenue and expense for the year	66,040	-	7,944
Total comprehensive revenue and expense for the year	132,629	16,831	33,531

WESTERN BAY OF PLENTY DISTRICT COUNCIL

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2018

Western Bay Council has reported a net surplus of \$66.2 million compared with a budgeted operating surplus of \$16.83 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:

- Contributions for the Tauranga to Omokoroa cycleway project from NZ Community Trust, Tauranga City Council and NZTA.
- Rates revenue of \$65.044m is \$374k higher than budget, therefore in line with the budget of \$64.670m.
- Due to ongoing development in the District year-on-year, financial contributions of \$9.506m was in line with budget of \$10.020m.
- Vested assets income of \$10.965m is \$8.725m higher than budget of \$2.240m. This is due to higher levels of assets being vested in Council.
- Subsidies and grants income of \$15.994m was \$3.175m higher than budget of \$12.818m due to timing and availability of capital works eligible for NZTA funding.
- Gains income of \$33.1m predominantly relates to the revaluation movements of Council held assets across most activities.
- Other revenue of \$5.125m is \$1.308m higher than budget of \$3.995m. This is predominantly due to movements in interest rate swaps, dividend income and petrol tax income.
- Other expenses of \$36.290m being \$1.253m higher than budget of \$35.037m due to higher costs associated with clearing old debt and running the transportation One Network Maintenance Contract (ONMC).
- Personnel costs of \$18.588m is \$0.752m lower than budget of \$19.340m. This is due to a number of unfilled vacancies during the year.
- Depreciation and amortisation costs of \$19.594m is \$0.580m lower than the budget of \$20.174m.
- Finance costs realised of \$8.210m were \$0.410m higher than budget of \$7.800m.



Maketu Beach

WESTERN BAY OF PLENTY DISTRICT COUNCIL

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2018

	RETAINED EARNINGS	ASSET REVALUATION RESERVE	COUNCIL RESERVES	TOTAL EQUITY
Balance at 1 July 2016 as restated	754,269	341,279	26,207	1,121,755
Total comprehensive income for the year	29,915	-	3,615	33,531
Balance at 30 June 2017	784,184	341,279	29,822	1,155,286
Total comprehensive income for the year	65,787	65,960	883	132,629
Balance at 30 June 2018	849,971	407,239	30,705	1,287,915

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2018	2018	2017
Total equity	1,287,915	1,181,109	1,155,286
Assets			
¹ Total current assets	41,753	15,834	59,212
² Total non-current assets	1,400,753	1,319,608	1,273,307
Total assets	1,442,486	1,335,442	1,332,519
Liabilities			
³ Total current liabilities	45,837	53,981	71,875
⁴ Total non-current liabilities	108,734	100,352	105,358
Total liabilities	154,571	154,333	177,233
Net assets	1,287,915	1,181,109	1,155,286

MAJOR VARIANCES

¹ Investments and financial assets were \$19.662 million lower than last year. This decrease reflects the reduction in short term deposits year-on-year.

² Property, plant and equipment was \$125.553 million higher than last year. The increase reflects capitalisation of completed projects and revaluation of existing assets.

³ Borrowings were \$25.000 million lower than last year and reflects the lower level of short term borrowing and placed on deposit.

WESTERN BAY OF PLENTY DISTRICT COUNCIL

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2018

	NOTE	ACTUAL	BUDGET	ACTUAL
		\$'000	\$'000	\$'000
		2018	2018	2017
Cash flows from operating activities				
Receipts from rates revenue		65,544	63,828	62,592
Other income		34,768	31,405	32,362
Regional Council rates		5,865	6,293	6,439
Total operating cash provided		106,177	101,526	101,393
Total investing cash applied		(67,114)	(67,959)	(65,238)
Net cash from operating activities	33	39,063	33,567	36,155
Cash flows from investing activities				
Total investing cash provided		21,671	85	1,175
Total investing cash applied		(38,763)	(35,038)	(61,733)
Net cash from investing activities		(17,092)	(34,953)	(60,558)
Cash flows from financing activities				
Proceeds from borrowings		-	20,000	35,000
Repayment of borrowings		(25,000)	(45,000)	(13,000)
Net cash from financing activities		(25,000)	(25,000)	22,000
Net (decrease)/increase in cash held		(3,029)	(26,386)	(2,402)
Cash, cash equivalents and bank overdrafts at the beginning of the year		14,779	32,603	17,181
Cash, cash equivalents and bank overdrafts at the end of the year	14	11,750	6,218	14,779

The Statement of Comprehensive Revenue and Expense and Statement of Cash Flows differ due to the use of accrual accounting in the Statement of Comprehensive Revenue and Expense, where revenues and expenses are recognised when they are incurred, regardless when payment occurs. Items that do not involve cash are also excluded from the Statement of Cash Flows.

MAJOR VARIANCES

THE MAJOR VARIANCES TO BUDGET WERE

2018 actual movement was a net increase in cash held of \$11.750 million versus a budgeted net increase of \$6.218 million and actual 2017 net increase in cash held of \$14.779 million.

Net cashflows from operating activities of \$39.063 million versus a budgeted net increase of \$33.567 million and last year actual of \$36.155 million.

Actual receipts from rates has increased \$2.952 million due to increased properties in the District. Other revenue income has increased by \$1.674 million due to increased development in the District. This has been offset by increased payment to suppliers of \$1.360 million.

Net Cashflows from investing activities of \$17,092 million versus \$34,953 million budget and last year actual of \$60.558 million.

This is due to the \$35.000 million short term deposit last year, offset in part by higher purchases of property, plant and equipment.

Net Cashflows from financing activities of \$25,000 million versus \$25,000 million budget and last year actual of (\$22,000) million.

This reflects Council's borrowing from LGFA last year and placing funds on short term deposit, as well as higher debt repayment in 2018 compared to 2017.

WESTERN BAY OF PLENTY DISTRICT COUNCIL

SUMMARY OF COST OF SERVICES

TOTAL OPERATING REVENUE

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2018	2018	2017
Significant activities			
Representation	2,704	3,031	2,755
Planning for the future	2,309	2,259	2,219
Communities	8,989	6,696	6,427
Recreation and leisure	27,138	7,306	9,352
Regulatory services	8,027	7,220	7,551
Transportation	38,687	27,402	29,897
Water supply	14,209	12,130	12,336
Stormwater	10,805	7,041	7,050
Natural environment	812	726	782
Wastewater	18,741	18,065	14,665
Solid waste	2,113	1,948	1,783
Economic	967	993	955
Council services	13,496	4,367	10,475
Total operating revenue by activity	148,997	99,182	106,247
Council services	148,997	99,182	106,247

TOTAL OPERATING EXPENDITURE

	ACTUAL \$'000	BUDGET \$'000	ACTUAL \$'000
	2018	2018	2017
Significant activities			
Representation	2,635	3,031	2,720
Planning for the future	2,239	2,061	2,171
Communities	6,145	6,540	6,468
Recreation and leisure	6,788	6,320	6,509
Regulatory services	8,048	7,449	7,285
Transportation	19,853	20,794	19,862
Water supply	11,131	11,158	10,535
Stormwater	4,072	3,963	3,820
Natural environment	717	791	691
Wastewater	12,899	13,337	13,316
Solid waste	1,889	2,042	1,536
Economic	626	648	637
Council services	5,350	4,217	4,904
Total operating expenditure by activity	82,392	82,351	80,454
Council services	82,392	82,351	80,454

WESTERN BAY OF PLENTY DISTRICT COUNCIL

STATEMENT OF COMMITMENTS AT 30 JUNE 2018

	ACTUAL \$'000	ACTUAL \$'000
	2018	2017
Capital commitments approved and contracted	18,696	24,343
Non-cancellable operating lease commitments Plant and equipment		
Not later than one year	106	107
Later than one year and not later than two years	89	103
Later than two years and not later than five years	72	133
Later than five years	905	929
Total non-cancellable operating leases	1,172	1,272

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 2018 \$40.80 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 2018 \$6.866 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.

CONTINGENCIES

	ACTUAL \$'000	ACTUAL \$'000
	2018	2017
Building Act claims	50	50
Weathertight Homes Resolution Service (WHRS)	400	400
Local Authority Protection Programme Disaster Fund (LAPP)	-	380
Total contingent liabilities	450	830

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 (2017: \$Nil). The \$50,000 disclosed relates to the expected cost to Western Bay of Plenty District Council. The balance is expected to be covered through insurance.

Unquantified claims

There were no additional claims lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2018 (2017: 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 7 claims that are still open as at balance date (2017: 8).

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 Council's insurance policies, subject to an excess of \$50,000 per claim.

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

Carter Holt Harvey Limited

In 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the shadowclad plywood cladding sheets manufactured and distributed by CHH. The MOE's original claim against CHH was for 833 school buildings, 16 of which are located within the Western Bay of Plenty District.

In 2016, CHH commenced proceedings against 48 Councils, including Western Bay of Plenty District Council, alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates.

During the current year the Councils sought to strike out CHH's claims against them. The High Court declined the strike out of the claim, but struck out proceedings in relation to 28 school buildings built outside the 10 year long stop contained within the Building Act 2004. Further, CHH applied for trial staging, with proceedings to commence in relation to 20 buildings.

MoE opposed the application, seeking a trial on the determination of whether shadowclad is inherently defective. The High Court accepted the MoE proposal. CHH has appealed this decision.

At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

New Zealand Local Government Funding Agency Limited (LGFA)

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

As at 30 June 2018 there were 31 (2017: 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 \$20million 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 \$8,699m (2017: \$7,946m) at 30 June.

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

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

Civil Claim

Western Bay Council has had declaration proceedings lodged in the environment court relating to the legality of storm water discharges. These proceedings are currently on hold and at present there is insufficient information to conclude on potential liability and claim quantum, if any.

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 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

	ACTUAL \$'000	ACTUAL \$'000
	2018	2017
Councillors		
Full-time equivalent members	17	17
Salaries and other short term employee benefits	519	505
Senior Management Team, including the Chief Executive		
Full-time equivalent members	5	5
Salaries and other short term employee benefits	1,283	1,275
Total senior management remuneration	1,802	1,780

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 2017-18 from page 182-183.

ELECTED MEMBER REMUNERATION

	ACTUAL \$'000	ACTUAL \$'000
	2018	2017
Councillors	519	505
Community board members	108	103
Total elected member remuneration	627	608

AUDIT REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Western Bay of Plenty District Council's summary of the annual report for the year ended 30 June 2018

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 2018.

The summary of the annual report comprises the following summary statements on pages 8 to 26:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision.

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 2018 in our auditor's report dated 20 September 2018.

AUDIT REPORT

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

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

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



Clarence Susan,
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
20 September 2018