

ANNUAL REPORT 2014/2015 SUMMARY



Disclaimer

The specific disclosures in this financial summary report have been extracted from the full financial report dated 24 September 2015. It has been prepared in accordance with FRS 43: Summary Financial Reports.

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

The summary has been examined by the auditor for consistency with the full financial report and audited by Audit New Zealand on behalf of the Office of the Auditor-General. An unqualified audit opinion was issued on 24 September 2015.

A copy of the Western Bay of Plenty District Council 2014/2015 Annual Report is available from Council's Head Office, Barkes Corner, Greerton, Tauranga or Council's website at www.westernbay.govt.nz

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The Mayor's Report

Western Bay of Plenty District Council

2014/2015 Annual Report Foreword by the Mayor

What a year this has been!

As a Council we have taken bold steps to change the way we talk with our communities and your feedback has told us we are on the right track.

Many of you came along to our Long Term Plan travelling roadshow during May when we took our caravan, councillors and staff around each community to talk with residents about what they wanted from their Council.

I am proud of this organisation and the way everyone grasped the nettle and took on board this new approach to engaging with our communities. It has been a refreshing change – not only for our communities - but for all of us here at Council - to step outside the fustiness of halls and starchy council chambers and meet one-on-one with the people we serve.

Similarly this year we have taken a new approach to problem solving significant infrastructure issues in our communities – such as stormwater in Waihi Beach. As a result of fronting up and grappling with problems on a one-on-one basis with individuals and groups we have all gained greater understanding and mutual respect.

This will be our way of working from now on.

Looking back on 2014/15 we have continued to focus on the priorities we set in 2013/14 – to reduce our debt and stick to prudent spending.

Many people wanted more from us in terms of rate decreases in this year's Annual Plan and budget – including those who called for a freeze on rates.

We have done the best we could to keep rate increases to the minimum while ensuring we maintain levels of service, continue to service and reduce debt and keep pace with the essential maintenance and operation of key infrastructure (roads, wastewater/ water schemes and stormwater systems).

Total external debt has reduced from \$156m in 2013/14 to \$138m this year. We continue to receive competitive interest rates from the New Zealand Local Government Funding Agency and this certainly helps keep our total interest bill down.



**Ross Paterson
Mayor**

Growth is the biggest influencing factor on our income and continues to challenge us financially. As predicted, growth in 2014/15 was slow at just 0.5% thereby impacting on the level of income Council earns from development fees. Growth that has occurred was not in the urban areas where we had expected. Consequently income from growth for the current year was \$2m lower than forecast.

This shortfall has been offset partially by the steps we have taken in the Long Term Plan to introduce the interest recovery rate – an allocation of \$2.5m from the General Rate, Rooding Rate and uniform charges to service interest on growth-related debt.

Growth in the medium term looks positive with very strong movement in the Tauranga and Auckland property markets - an upturn that hopefully will reflect in a greater appeal for the Western Bay lifestyle.

Revised property valuations took effect on 1 July 2014. Significant movements in rural land values show a virtual reversal of the trends reflected in the 2011 revaluation.

In 2011 land values in dairying and horticulture dropped significantly. The kiwifruit industry has recovered to pre-PSA levels and dairy land has rebounded by 30%. Urban residential, lifestyle and commercial/industrial values have remained steady at plus or minus two percent.

On other matters, we have worked with Central Government to provide special housing areas (SHA) through the Housing Accord. Under this agreement we plan to increase the number of new homes in the District by approximately 200 houses over the next two years.

Omokoroa is the first area selected for special housing development as there are potential residential areas where infrastructure and commercial development is already in place to service future residents. This housing will complement the existing market.

Council has asked for expressions of interest from developers and is assessing tenders.

We will be identifying other potential special housing areas in Katikati and Te Puke. The Accord enables Council to fast-track changes without having to go through the standard Resource Management Act process.

Council's partnership with Tauranga City Council and the Bay of Plenty Regional Council is steadfast and ensures that the sub-region's recreational and leisure assets are maintained and improved.

The TECT (Tauranga Energy Consumer Trust) All Terrain Park is building muscle under the stewardship of a professional management structure and through the commitment of a diverse range of user groups. To date the Park has reflected its status by winning New Zealand's Most Outstanding Park Award in 2012 and most recently winning the internationally recognised Green Flag Award.

Council is in good stead financially and operationally. I thank our chief executive Miriam Taris for her strong leadership and for the positive changes she has brought within the organisation during her first year in office.

My thanks also extend to the senior management team and staff for their hard work and commitment to Council's vision.

I thank my fellow elected members for their cooperation and willingness to work as a team for the benefit of residents across the Western Bay of Plenty District.



Ross Paterson
Mayor
Western Bay of Plenty District

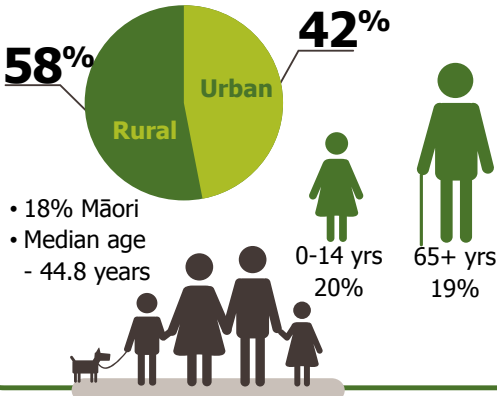


Council at a glance - key facts

OUR PEOPLE



Population 43,695



OUR LAND

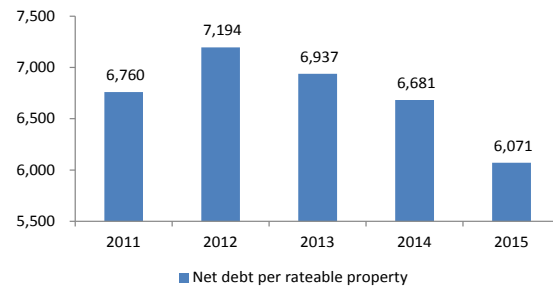


- 212,000 hectares
- 202 kilometres of harbour
- 55 kilometres of ocean beach
- Outstanding soil conditions that grow a basket of 'super foods' - from Kiwifruit to some of the world's highest grade dairy, beef and lamb products



OUR DEBT

Net debt per rateable property



OUR FINANCES

2014/2015 Actual Results

Total income \$105,026,000 (2014: \$83,889,000)	Total operating costs \$94,619,000 (2014: \$78,110,000)
Rates income \$55,500,000 (2014: \$54,017,000)	Total capital expenditure \$15,449,000 (2014: \$18,378,000)
Net debt \$125,187,000 (2014: \$134,863,000)	Total assets \$1.242 billion (2014: \$1.145 billion)

Role 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.

OUR COMMUNITIES

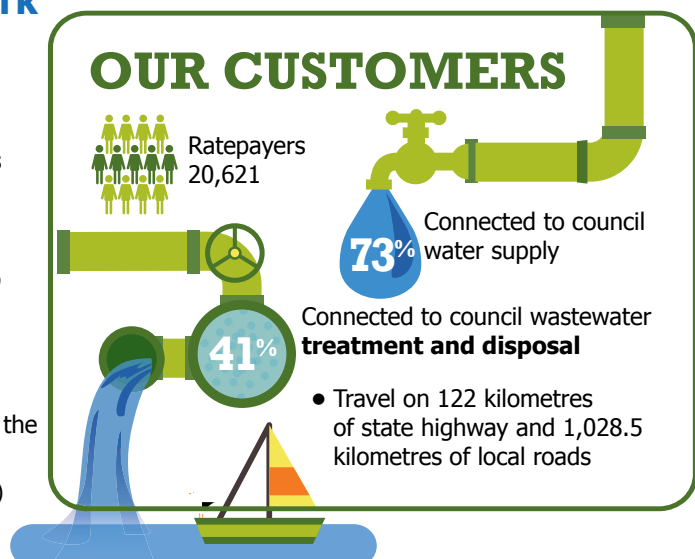
- Rich tapestry of small thriving communities
- Three wards - Katikati/Waihi Beach, Kaimai, Maketu/Te Puke
- An incredibly strong sense of place, resilience and ability to adapt
- An expectation to engage at a community level - grass roots, town hall, road side



OUR CUSTOMERS



Ratepayers
20,621

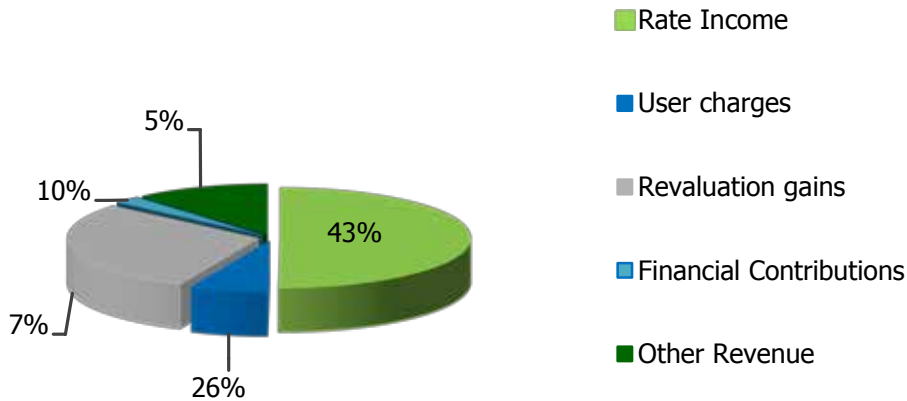


Financial summary overview

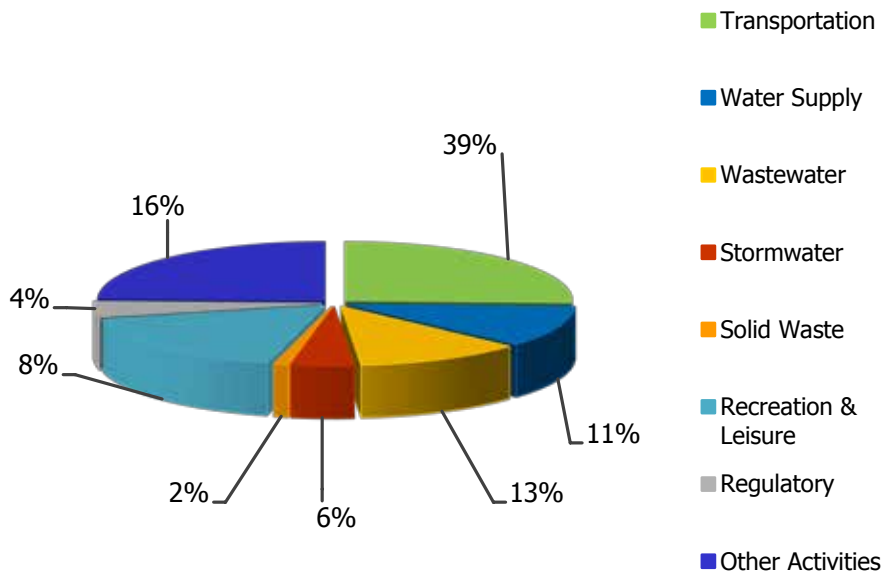
Council has reported a net surplus of \$10.3 million compared with a budgeted operating surplus of \$4.67 million.

The major contributor to this increased surplus were valuation gains on Council owned infrastructure and forestry assets.

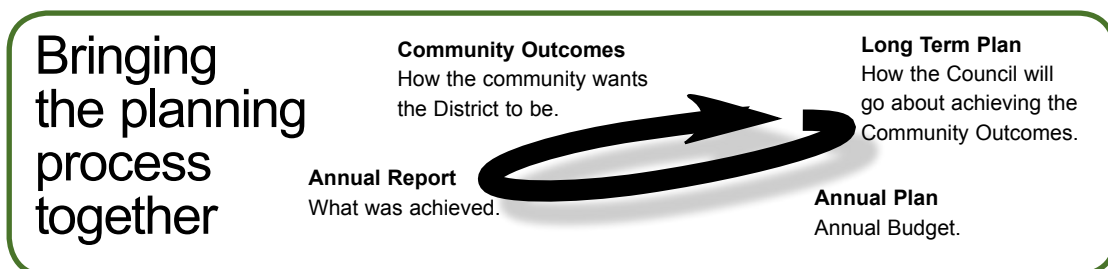
**Council Revenue 2014/15
(excluding vested assets)
\$104.3m**



**Council Capital and Operating Expenditure 2014/15
(excluding vested assets)
\$94.6m**



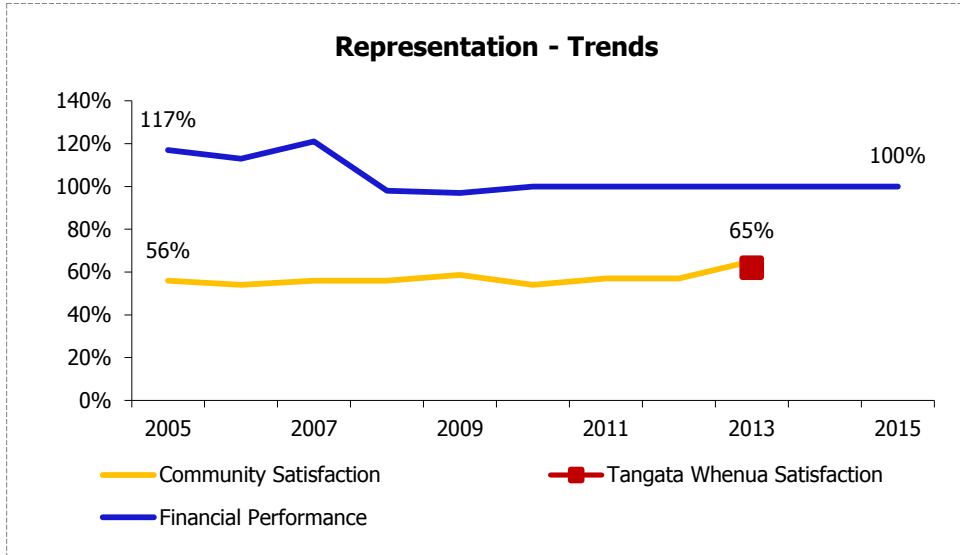
To see a detailed overview of Council's performance see pages 14 - 16 of the full Annual Report 2014/15.



Key performance measures - results

Leadership

Representation



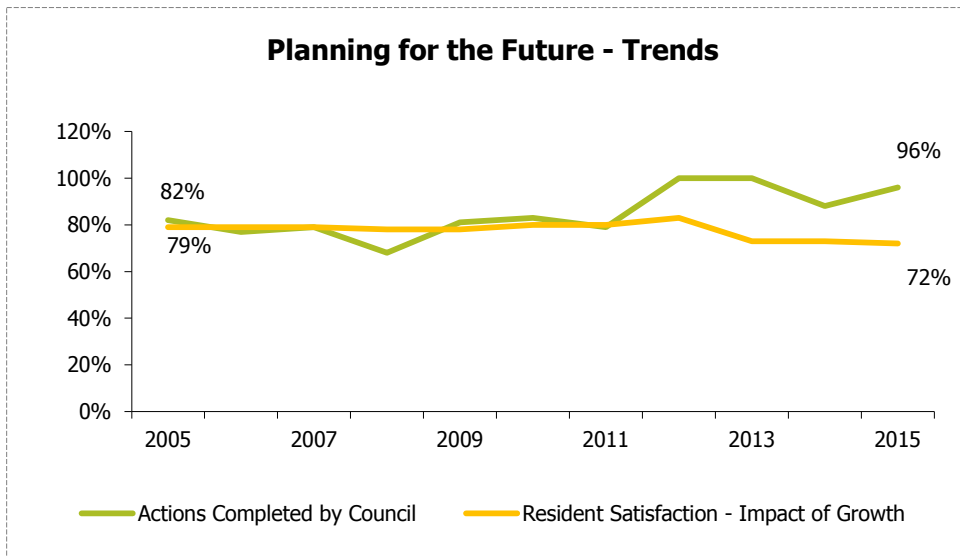
Council Financial Performance

The financial performance index has been developed to monitor Council's financial trends and level of compliance with Treasury Policy. In 2015 Council met its financial performance target of 1.00.

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. 2013 results revealed 65% community satisfaction and 62% tangata whenua satisfaction. These results achieved the target of >55%.

Planning for the Future



Actions completed by Council as defined in the Planning for the Future Action Plan

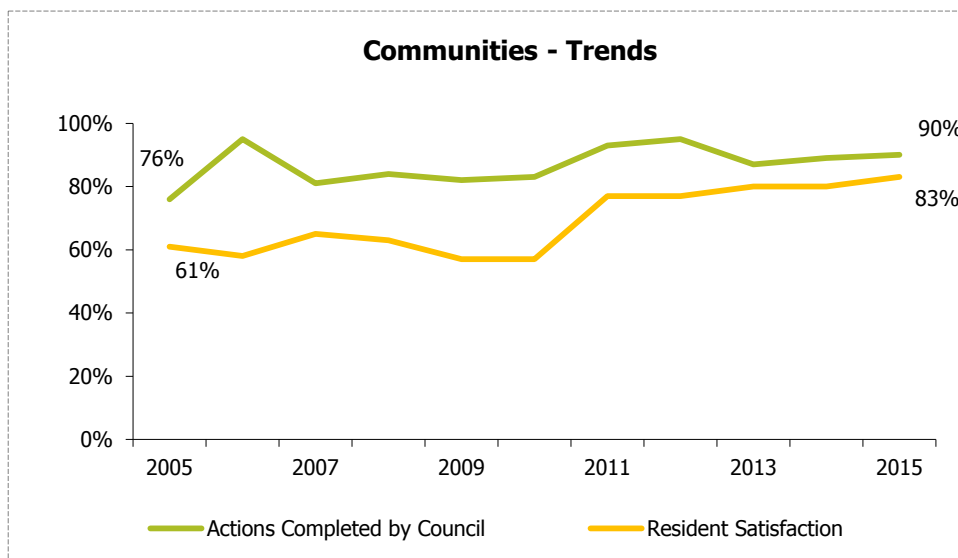
Council completed 96% of the actions scheduled for 2015. This work included the completion of Councils Long Term Plan and strategy reviews for Recreation & Leisure, Stormwater and Economic activities.

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 2015 survey revealed the level of satisfaction as 72%. This meant the target of 80% was not achieved. This survey is conducted on a two yearly basis. The next survey will be conducted in 2017.

Building Communities

Communities



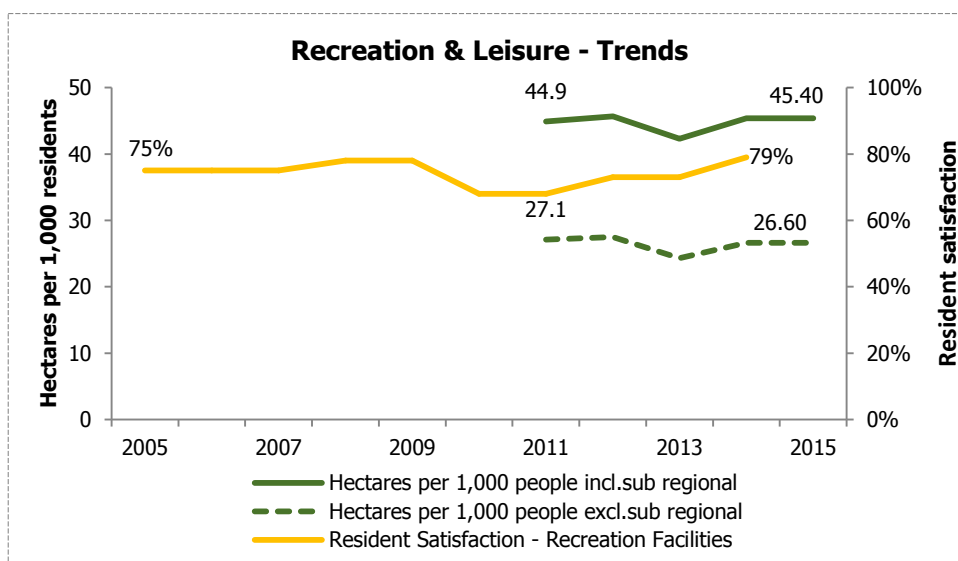
Actions completed by Council as defined in the Communities Action Plan

As Council completed 90% of the actions scheduled in the action plan for the 2015 year the target of $\geq 90\%$ was achieved. Actions included payment and monitoring of Community Services Contracts, safer community initiatives, management of the cemeteries and libraries.

Resident Satisfaction with Community Development

This survey monitors residents satisfaction with the community development programme. The 2015 survey revealed a satisfaction rate of 83%, so the target of $\geq 80\%$ was achieved.

Recreation and Leisure



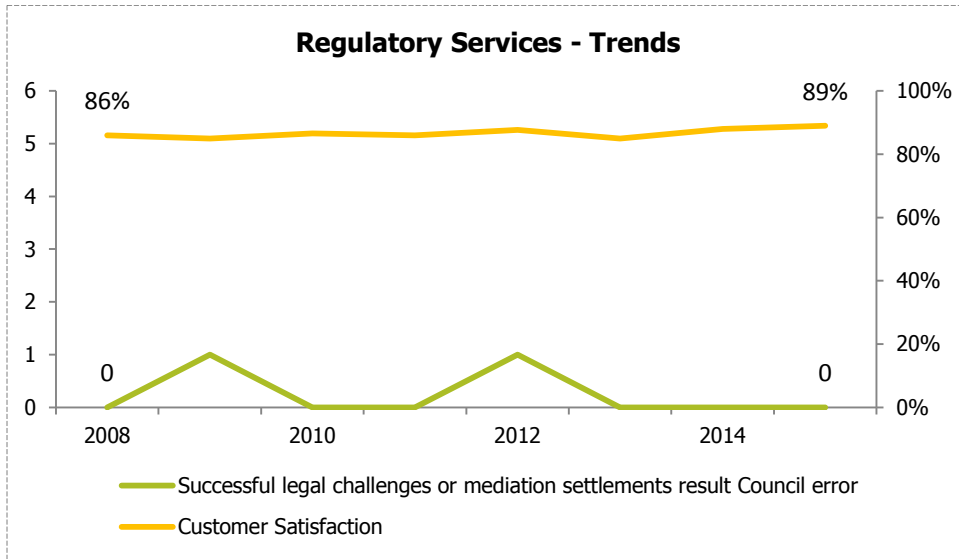
Recreational Services provided per 1,000 people

This monitors the park land available in the district per 1,000 people. The 2015 results achieved the targets set.

Resident Satisfaction with Reserves and Recreational Facilities and Amenities

This survey monitors the level of satisfaction with reserves and recreational facilities and amenities. This survey is conducted on a 2 yearly basis. There was no survey in 2015. The last survey in 2014 survey revealed a satisfaction level of 79%, which exceeded the target of 75%.

Regulatory Services



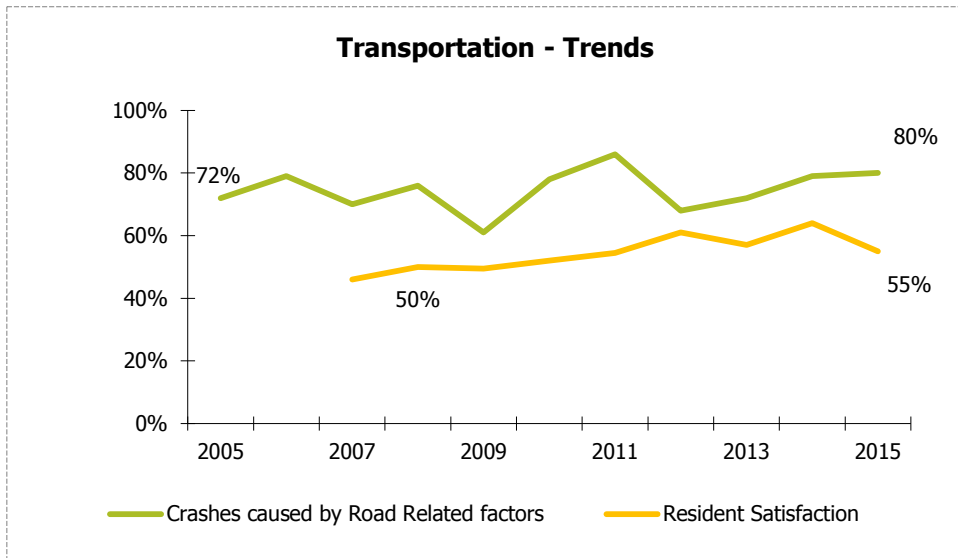
Successful legal challenges or mediation settlements as a result of Council error

In 2015 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 level of customer satisfaction in 2015 is 89%, which exceeded the target of 85%.

Transportation



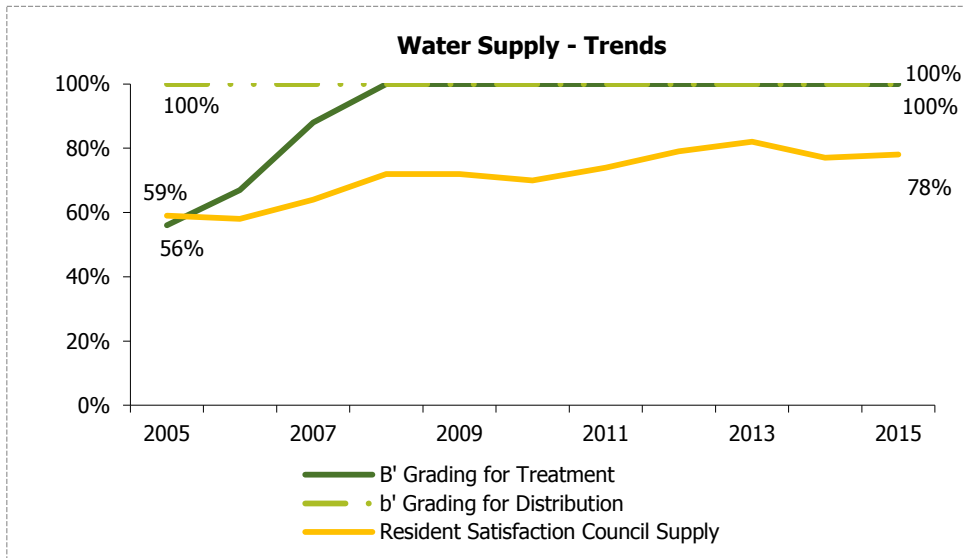
Crashes caused by Road Related factors

This monitors the number of crashes caused by road related factors (e.g. potholes, surface roughness) compared to Council’s peer group. Council’s result of 80% 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 2015 is 55%, which met the target of ≥55%.

Water Supply



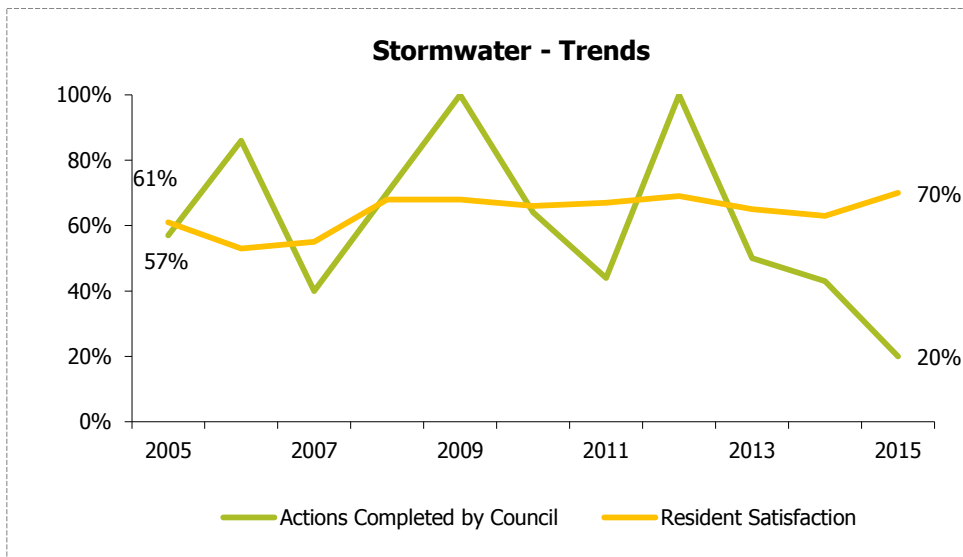
Water supply with Ministry of Health Grading 'Bb' for treatment and distribution

For the Council supply areas 100% achieved a 'B' grading for treatment, and 100% achieved 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 2015 is 78%, which exceeded the target of $\geq 80\%$. Key reasons for dissatisfaction were attributed to taste and use of chemicals.

Stormwater



Actions completed by Council as defined in the Stormwater Action Plan

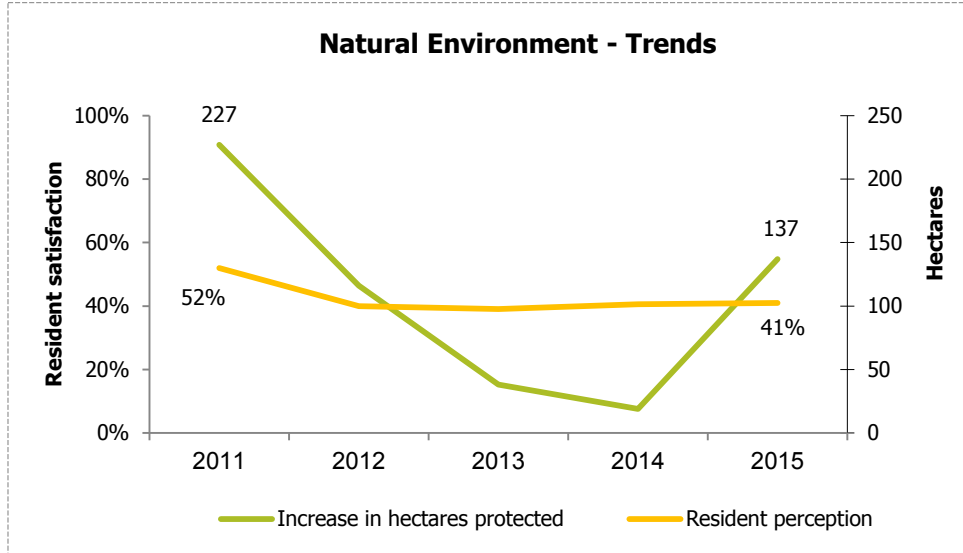
Council completed 20% of the actions scheduled for the 2015 year. The target of 90% was not achieved as projects were delayed due to consultation and timing of work to commence after year end.

Resident Satisfaction with Stormwater Systems

The level of satisfaction with stormwater systems in 2015 was 70%, which achieved the target. Key reasons for dissatisfaction were related to the capacity and maintenance of drains and road flooding.

Protecting the Environment

Natural Environment



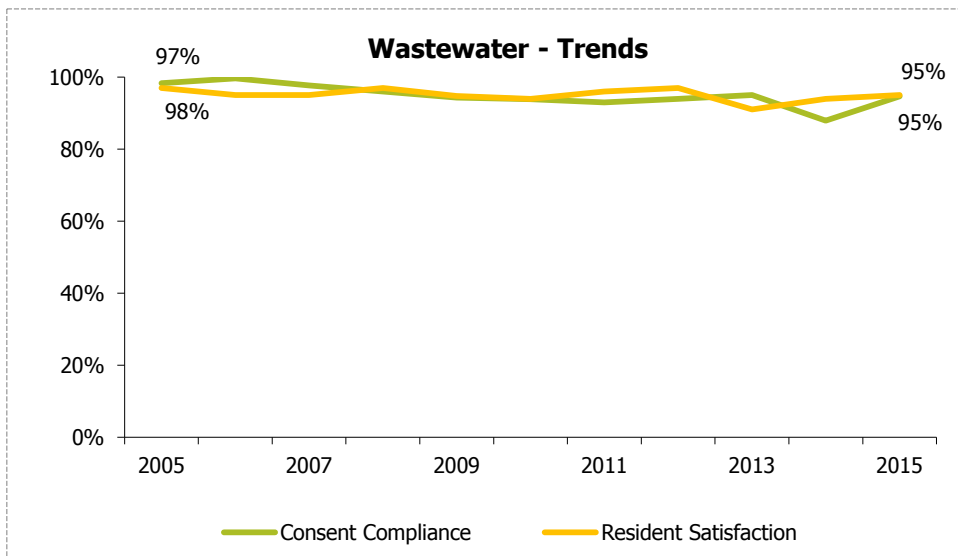
Hectares of land physically and legally protected

The total number of hectares physically and legally protected increased in 2015 by 137ha, which achieved the target of >100ha.

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 2015 survey revealed that 41% of residents surveyed perceive there has been an improvement, however the target of 50% was not achieved.

Wastewater



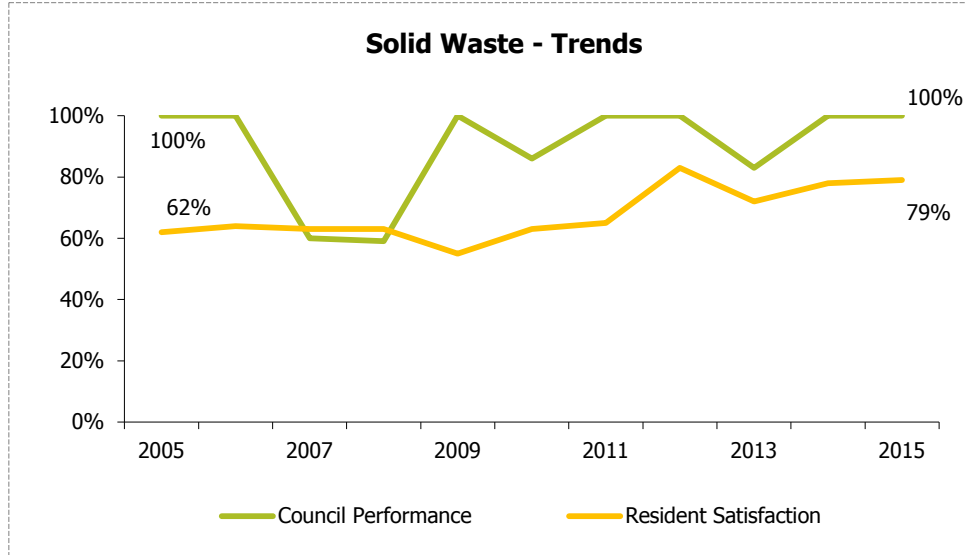
Level of Compliance with Resource Consents

All wastewater treatment plants are monitored to ensure compliance with resource consent conditions. In 2015 all wastewater schemes had non compliance issues. Overall the level of compliance was 95%, which was less than the average target of 96%.

Resident satisfaction with Sewage Disposal Systems

The level of satisfaction with Council sewage disposal systems is 95%, so Council achieved the target set of ≥95%. The key reason for dissatisfaction was the cost of the wastewater schemes.

Solid Waste



Actions completed by Council as defined in the Solid Waste Action Plan

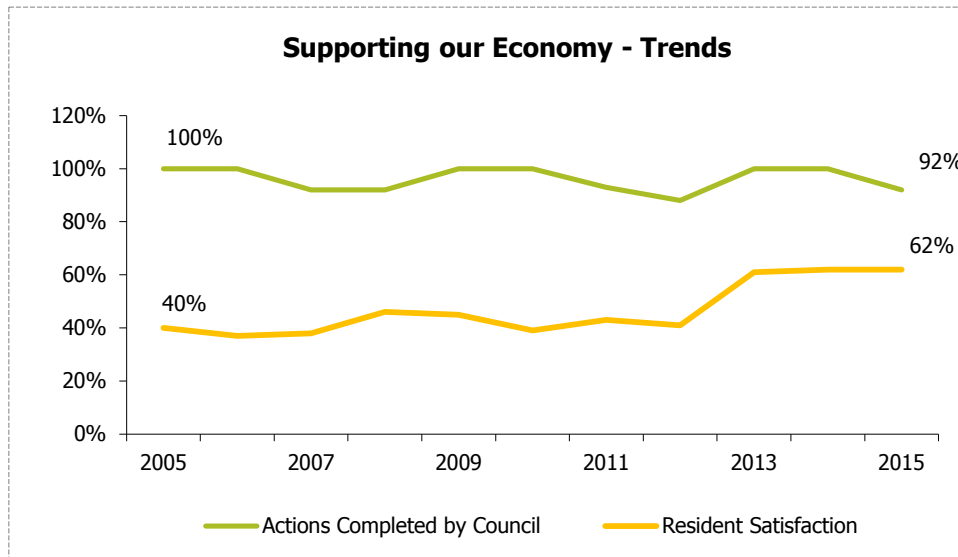
Council completed all of the actions scheduled for the 2015 year. Actions included management and operation of the solid waste and recycling facilities as well the delivery of the waste minimisation programme.

Resident satisfaction with Household Rubbish Disposal Methods

The level of satisfaction with household rubbish disposal methods is 79% for the 2015 year, which achieved the target of $\geq 70\%$.

Supporting our Economy

Economic



Actions completed by Council as defined in the Economic Action Plan

Council completed 92% of the actions scheduled for the 2015 year against a target of 90%. 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 2015 was 62%, so Council's target of ≥55% 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

2014/15 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 savings as a result of borrowing from the LGFA are \$400,000 - \$500,000 per annum in interest costs. This entity has continued to provide favourable borrowings margins and paid a dividend during the year.

Council has continued to work on the digitisation of property files. The pilot project is now completed and all records have been moved off-site to complete the scanning process.

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 2015

Reporting entity

Western Bay of Plenty District Council (Western Bay) 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 2015. The financial statements were authorised for issue by Council on 24 September 2015.

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 2015 financial statements.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards.

Presentation currency and rounding

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

Standards issued and not yet effective and not early adopted

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The Western Bay Council will apply these updated standards in preparing its 30 June 2016 financial statements. The Western Bay Council expects that there will be minimal or no change in applying these updated accounting standards.

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 has a 50% ownership in Western Bay Moana Rural Fire Authority and a 9.7% share in Bay of Plenty Local Authority Shared Services Limited (BOPLASS). The Council also has 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.

Events after the balance sheet date

There were no significant events after balance date.

Summary financial reports

Statement of comprehensive revenue and expense for year ended 30 June 2015

	Actual \$'000 2015	Budget \$'000 2015	Actual \$'000 2014
Revenue from non-exchanged transactions			
Fees and charges from activities including targeted rates for water supply	8,690	6,487	7,666
Rate revenue excluding target water supply rates	55,500	54,920	54,017
Fines	260	281	318
Vested assets	720	2,240	979
Financial contributions	2,607	4,577	4,177
Subsidies and grants	6,746	8,415	7,486
Other revenue	580	360	378
Gains	27,093	-	1,283
Total revenue non-exchanged transactions	102,196	77,280	76,304
Revenue from exchange transactions			
Finance revenue	1,069	1,028	5,870
Dividends	265	-	233
Rental revenue	1,119	1,082	1,124
Other exchange revenue	377	356	358
Total revenue	105,026	79,746	83,889
Expenditure			
Other expenses	46,652	34,155	35,267
Personnel costs	13,982	13,241	13,009
Depreciation	17,968	17,584	18,015
Amortisation	402	500	138
Impairment expense	364	-	1,892
Finance costs	15,251	9,600	9,789
Total operating expenditure	94,619	75,080	78,110
Share of associates retained surplus/ (deficit)	(69)	-	345
Net surplus / (deficit)	10,338	4,666	6,124
Other comprehensive revenue and expense			
Gains/(Losses) on asset revaluations	94,984	19,602	(11,190)
Other assets at fair value through other comprehensive revenue and expense	12	-	10
Total other comprehensive revenue and expense for the year	94,996	19,602	(11,180)
Total comprehensive revenue and expense for the year	105,334	24,268	(5,056)

Statement of comprehensive revenue and expense for year ended 30 June 2015

Major variances

Council recorded a net surplus of \$10.338 million (m) as compared with a budgeted surplus of \$4.67m.

The major contributors to the variance were:

- ▶ Fees and charges from activities were \$2.203m higher than the budget of \$3.792m assisted by income from forestry harvesting of \$709k.
- ▶ Rate income of \$55.500m is \$580k higher than the \$57.615m budget. This is due to rating penalties charged in July 2014 and the timing of additional connections to Council services.
- ▶ Financial contribution revenue of \$2.607m is \$1.970m lower than the \$4.577m budget due to lower than expected subdivision.
- ▶ Vested assets income of \$0.720m is \$1.520m lower than the \$2.240m budget. This was due to less land and infrastructure being vested to Council from developers. This income is non-cash.
- ▶ Subsidies & grants income of \$6.746m was \$1.669m lower than budget of \$8.415m due to lower transportation capital expenditure.
- ▶ Gains income of \$27.093m relates to the increase in value of Council owned assets. Included in the movement are pavement at TECT All Terrain Park \$401k, Waihi Beach rock revetment \$365k and a \$16.340m recovery in transport assets written down in prior years through the income statement.
- ▶ Other revenue of \$3.410m is \$948k higher than the budget of \$2.826m and this includes dividends of \$265k.
- ▶ Other expenses of \$46.652m were \$12.497m higher than the \$34.155m budget. This variance is the result \$13.549m non cash revaluation movement in Council assets.
- ▶ Personnel costs of \$13.982m were \$0.741m higher than the \$13.241m budget.
- ▶ Depreciation and amortisation costs of \$18.370m were \$286k higher than the budget of \$18.084m. This is due to an increases in council asset valuation.
- ▶ Council recognised an impairment cost of \$364k during the year. This relates to the valuation of the Te Tumu land.
- ▶ Finance costs of \$15.251m were \$5.651m higher than the budget of \$9.600m. This is due to Loan Swap premium of \$2.010m and non-cash unrealised hedging movement of \$6.115m offset by \$2.474m interest on public debt savings.



Statement of changes in equity for year ended 30 June 2015

	Retained Earnings	Asset Revaluation Reserve	Council Reserves	Total Equity
Balance at 1 July 2013	683,585	276,382	17,735	977,702
Total comprehensive income for the year	(2,735)	(5,194)	3,414	(4,514)
Balance at 30 June 2014	680,850	271,188	21,149	973,188
Total comprehensive income for the year	33,997	70,054	1,284	105,334
Balance at 30 June 2015	714,847	341,242	22,433	1,078,522

Statement of financial position at 30 June 2015

	Actual \$'000 2015	Budget \$'000 2015	Actual \$'000 2014
Total Equity	1,078,522	1,022,712	973,188
Assets			
Total current assets	22,503	15,162	29,924
Total non-current assets	1,219,005	1,177,389	1,115,509
Total assets	1,241,508	1,192,551	1,145,433
Liabilities			
Total current liabilities	34,607	32,759	33,846
Total non-current liabilities	128,379	137,080	138,399
Total Liabilities	162,986	169,839	172,245
Net Assets	1,078,522	1,022,712	973,188

Major variances

The major variances to budget were:

- ▶ Property, plant and equipment was \$103.069m higher than 2013/14. This was due to Council asset revaluations.
- ▶ Debtors and other receivables increased by \$804k.
- ▶ Borrowings were \$18.003m lower than 2013/2014 due to debt maturities and expenditure control.
- ▶ Councils unrealised interest rate swaps liability increased to \$6.115m from \$3.796m in 2013/14 as a result of reduction in interest rates.

Statement of cash flows for year ended 30 June 2015

	Actual \$'000 2015	Budget \$'000 2015	Actual \$'000 2014
Cash flows from operating activities			
Receipts from rates revenue	58,651	54,324	53,568
Other income	17,703	22,417	24,626
Regional Council rates	5,203	4,350	4,632
Total operating cash provided	81,557	81,091	82,826
Total operating cash applied	(56,829)	(61,153)	(62,525)
Net cash from operating activities	24,728	19,938	20,301
Cash flows from investing activities			
Total investing cash provided	287	85	25,373
Total investing cash applied	(15,232)	(21,302)	(15,620)
Net cash from investing activities	(14,945)	(21,217)	9,753
Cash flows from financing activities			
Proceeds from borrowings	-	-	24,965
Repayment of borrowings	(18,003)	(10,000)	(43,467)
Net cash flows from financing activities	(18,003)	(10,000)	(18,502)
Net (decrease)/increase in cash held	(8,220)	(11,279)	11,552
Cash, cash equivalents and bank overdrafts at the beginning of the year	21,033	17,893	9,482
Cash, cash equivalents and bank overdrafts at the end of the year	12,813	6,614	21,033

Major variances

The major variances to budget were:

- ▶ 2015 actual movement was a net decrease in cash held of \$8.220m versus a budgeted net decrease of \$11.279m and actual 2014 net decrease in cash held \$11.552m.
- ▶ Net cash flows from operating activities of \$24.728m versus \$19.938m budget and 2014 actual of \$20.301m. This favourable variance to budget is due to higher receipts from rates and lower payments to suppliers.
- ▶ Net cash flows from investing activities of (\$14.945)m versus (\$21.217)m budget and 2014 actual of \$9.753m. The majority of this positive variance can be attributed to reduced purchases of property, plant and equipment.
- ▶ Net cash flows from financing activities of (\$18.003)m versus (\$10.000)m budget and 2014 actual of (\$18.502)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 \$'000 2015	Actual \$'000 2014
Net surplus / (deficit)	10,338	6,124
Add/(less) non-cash items		
Depreciation and amortisation	18,370	18,153
Vested assets	(720)	(979)
Gain on revaluation of assets	(26,758)	(58)
Gain on valuation of forestry assets	(355)	(1,212)
Investment in associates movement	-	363
Loss on sale of assets	2,678	343
Loss on valuation of assets	13,549	-
Landfill aftercare provision movement	(10)	(9)
Provision for doubtful debts movement	366	377
Unrealised interest	(619)	(558)
Employee expenses	-	(3)
Unrealised hedging movement	6,116	(3,795)
Impairment of financial instrument	364	1,892
Add/(less) movements in working capital items:		
Accounts receivable	(1,129)	55
Accounts payable	2,506	(382)
Add/(less) items classified as investing activities		
Revaluation of shares	12	(10)
Net cash inflow (outflow) from operating activities	24,728	20,301

Summary of cost of services - Council

Total operating revenue

	Actual \$'000 2015	Budget \$'000 2015	Actual \$'000 2014
Significant activities			
Representation	2,495	2,480	2,695
Planning for the future	2,382	2,422	2,144
Communities	5,477	4,891	5,074
Recreation and leisure	14,825	7,381	8,156
Regulatory services	5,044	5,112	5,254
Transportation	39,044	24,808	23,317
Water supply	10,587	9,610	9,651
Stormwater	3,090	3,390	3,889
Natural environment	245	295	242
Wastewater	10,233	10,629	9,993
Solid waste	1,650	1,724	1,491
Economic	1,422	1,380	1,529
Council services	8,532	5,624	10,452
Total operating revenue by activity	105,026	79,746	83,889
Council services	105,026	79,746	83,889

Total operating expenditure

	Actual \$'000 2015	Budget \$'000 2015	Actual \$'000 2014
Significant activities			
Representation	2,395	2,419	2,544
Planning for the future	2,770	2,255	1,875
Communities	5,535	4,614	4,654
Recreation and leisure	17,492	5,865	6,417
Regulatory services	4,731	4,957	4,488
Transportation	19,105	21,496	23,014
Water supply	10,226	9,918	9,862
Stormwater	4,753	4,035	4,083
Natural environment	407	296	393
Wastewater	12,524	11,804	11,679
Solid waste	1,152	1,366	1,080
Economic	1,071	1,000	1,455
Council services	12,458	5,056	6,566
Total operating expenditure by activity	94,619	75,080	78,110
Council Services	94,619	75,080	78,110

Statement of commitments at 30 June 2015

	Actual \$'000 2015	Actual \$'000 2014
Capital commitments approved and contracted	28,590	4,983
Non-cancellable operating lease commitments		
Plant and equipment		
Not later than one year	161	103
Later than one year and not later than two years	154	21
Later than two years and not later than five years	299	63
Later than five years	976	880
Total operating lease commitments	1,590	1,067

Other commitments

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 2015 \$69.47 million remained committed on this contract for the remaining 76 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.

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

	\$'000 2015	\$'000 2014
Building Act claims	50	50
Weathertight Homes Resolution Service (WHRS)	600	600
Katikati Heritage Museum Charitable Trust	-	550
Athenree Property Limited	-	2,433
Weathertightness claim	1,500	-
Local Authority Protection Programme Disaster Fund (LAPP)	380	380
Total contingent liabilities	2,530	4,013

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 (2014: \$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 was one additional claim lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2015 (2014: 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 nine claims that are still open as at balance date (2014: eight).

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.

Katikati Heritage Museum Charitable Trust

The property owned by the Trust was sold in 2014 and the Guarantee was discharged by the Bank of New Zealand.

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 is outside the Weathertight Homes Resolution Service (WHRS) process. The CCC was issued eight years after completion of the property. Council is defending the claim. The Hearing is set down for November 2015.

Athenree Property Limited

Council were previously being sued by Athenree Property Limited in the High Court. They had claimed \$2,433,000 plus interest and costs for alleged negligent preparation of plan change documents and promulgation of incorrect information on planning maps and in LIM reports. This claim was closed during the year.

New Zealand Local Government Funding Agency (LGFA)

Western Bay of Plenty District Council (Western Bay 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 top New Zealand Government sovereign rating.

As at 30 June 2015 there were 31 (2014: 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 \$3,889 (2014: \$3,695m) at 30 June.

Other legal proceedings continued

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. The Western Bay Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that;

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

Local Authority Protection Programme Disaster Fund (LAPP)

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

Share of associates' contingent liabilities

There are no shared contingent liabilities associated with any associates of 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 2015	Actual \$'000 2014
Salaries and other short term employee benefits	975	996
Termination benefits	335	-
Total key management personnel compensation	1,310	996

Key management personnel include the Chief Executive Officer and other senior management personnel. Current Chief Executive Officer Miriam Taris was appointed Chief Executive Officer on 30 July 2014. Former Chief Executive Officer Glenn Snelgrove was employed by Western Bay of Plenty District Council until 7 July 2014.

Elected member remuneration

	Actual \$'000 2015	Actual \$'000 2014
Councillors	460	414
Community board members	93	81
Total elected member remuneration	553	495

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Western Bay of Plenty District Council's summary annual report for the year ended 30 June 2015

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 2015. 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 26:

- the summary statement of financial position as at 30 June 2015;
- 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 2015;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (referred to as key performance measure results) of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 24 September 2015.

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 FRS-43 (PBE): 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

Audit Report

statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council.

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 FRS-43 (PBE): 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 FRS 43 (PBE): Summary Financial Statements.

In addition to reporting on the summary annual report, we have reported on the full annual report, completed the audit of the District Council's 2015-25 Long Term Plan and an independent assurance review of the District Council's Debenture Trust Deed, which are compatible with those independence requirements. Other than this reporting and these assignments, we have no relationship with or interests in the District Council.



B H Halford,
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
24 September 2015