

Chapter Three

Financials



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Statement of comprehensive income for year ended 30 June 2014

	Note	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Fees and charges from activities including targeted rates for water supply	4 & 7	8,270	7,111	8,827
Rates excluding targeted rates for water supply	5 & 6	54,017	53,003	50,014
Vested assets	9	979	2,240	1,345
Financial contributions	11	4,177	5,546	4,833
Finance income	8	5,870	961	5,741
Subsidies and grants	10	7,486	8,127	6,811
Other revenue	11	1,807	1,424	2,177
Gains	22 & 23	1,283	-	372
Total operating revenue	2	83,889	78,412	80,119
Expenditure				
Other expenses	12	35,266	33,328	35,414
Personnel costs	13	13,009	13,023	12,407
Depreciation expense	21	17,725	17,320	16,761
Amortisation expense	22	429	-	499
Impairment expense		1,892	-	-
Finance Costs	8	9,789	9,946	9,497
Total operating expenditure	3	78,110	73,616	74,578
Share of associates retained surplus	19	345	-	-
Net Surplus / (Deficit)		6,124	4,796	5,541
Other comprehensive income				
Gains/(Losses) on asset revaluations	31	(11,190)	34,346	51,590
Other assets at fair value through other comprehensive income	28	10	-	(5)
Total other comprehensive income for the year		(11,180)	34,346	51,585
Total comprehensive income for the year		(5,056)	39,142	57,126

Explanations of major variances against budget are detailed in note 46 from page 185 - 186.

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Equity				
Retained earnings	28	680,850	686,767	683,585
Restricted reserves	29	251	224	246
Council-created reserves	30	20,898	17,562	17,489
Asset revaluation reserves	31	271,188	308,077	276,382
Total equity		973,188	1,012,630	977,702
Assets				
Current assets				
Cash and cash equivalents	14	21,033	10,853	9,482
Debtors and other receivables	15	7,575	8,763	8,251
Non-current assets held for sale	18	957	-	657
Prepayments	15	359	-	116
Other financial assets	17	-	-	25,000
Total current assets		29,924	19,616	43,506
Non-current assets				
Other financial assets	17	1,161	3,084	2,489
Investments in associates	19	521	268	182
Investment in CCO's and other similar entities	20	3,117	3,338	3,105
Intangible assets	22	3,395	3,195	3,695
Forestry asset	23	4,821	2,838	3,610
Property, plant and equipment	21	1,102,494	1,162,043	1,116,531
Total non-current assets		1,115,509	1,174,766	1,129,612
Total assets		1,145,433	1,194,382	1,173,116
Liabilities				
Current liabilities				
Creditors and other payables	24	10,194	13,777	11,081
Employee entitlements	26	1,513	1,492	1,469
Borrowings	25	18,000	18,000	38,500
Derivative financial instruments	16	3,831	12,227	7,626
Current portion provisions	27	308	657	308
Total current liabilities		33,846	46,154	58,984
Non-current liabilities				
Employee entitlements	26	27	150	47
Provisions	27	369	379	378
Borrowings	25	138,003	135,008	136,005
Other non-current liabilities		-	62	-
Total non-current liabilities		138,399	135,599	136,430
Total liabilities		172,245	181,753	195,414
Net assets		973,188	1,012,630	977,702

The accompanying notes form part of these financial statements.



Miriam Taris
Chief Executive Officer
Western Bay of Plenty District Council

Statement of changes in equity for year ended 30 June 2014

	Retained Earnings	Asset Revaluation Reserve	Council Reserves	Total Equity
Balance at 1 July 2012	682,429	225,058	13,090	920,577
Total comprehensive income for the year	1,156	51,324	4,645	57,126
Balance at 30 June 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

The accompanying notes form part of these financial statements.



Statement of cash flows for year ended 30 June 2014

	Note	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Cash flows from operating activities				
Receipts from rates revenue		53,568	52,637	50,349
Regional Council rates		4,632	4,215	4,563
Interest received		1,417	408	647
Dividends received		233	100	109
Receipts from other revenue		22,406	22,108	25,471
Payments to suppliers and employees		(48,410)	(45,877)	(47,413)
Interest paid		(9,483)	(9,946)	(9,336)
Regional Council rates		(4,632)	(4,215)	(4,563)
Goods and services tax (net)		570	-	434
Net cash from operating activities	33	20,301	19,430	20,261
Cash flows from investing activities				
Receipts from sale of property, plant and equipment		373	842	1,130
Purchase of property, plant and equipment		(15,562)	(20,552)	(16,043)
Purchase of intangible assets		(58)	(400)	(696)
Purchase of investments		-	(592)	(25,400)
Sale of investments		25,000	-	-
Net cash from investing activities		9,753	(20,702)	(41,009)
Cash flows from financing activities				
Proceeds from borrowings		24,965	37,000	25,000
Repayment of borrowings		(43,467)	(38,500)	(6,003)
Net cash from financing activities		(18,502)	(1,500)	18,997
Net (decrease)/increase in cash held		11,552	(2,772)	(1,752)
Cash, cash equivalents and bank overdrafts at the beginning of the year		9,482	13,625	11,234
Cash, cash equivalents and bank overdrafts at the end of the year	14	21,033	10,853	9,482

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements.

Refer to Note 33 for reconciliation from net surplus to cash flows from operating activities.

Notes to the financial statements

Statement of accounting policies for the year ended 30 June 2014

Reporting entity

Western Bay of Plenty District Council (Western Bay) is a territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The primary objective of Western Bay is to provide goods or services for the community or social benefit rather than making a financial return.

Accordingly, Western Bay has designated itself a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis of preparation

Statement of compliance

The financial statements of Western Bay have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, forestry assets and certain financial instruments (including derivative financial instruments).

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Western Bay is New Zealand dollars.

Changes in accounting policies

All the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Standards, amendments and interpretations issued that are not yet effective and have not been adopted early

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

- ▶ *NZ IAS 23 Borrowing Costs (revised 2007) replaces NZ IAS 23 Borrowing Costs (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying*

asset. The revised standard will also require borrowing costs to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost. Any necessary adjustments to depreciated replacement cost carrying values will have flow on effects to depreciation expense. Western Bay has decided to postpone the adoption of this standard indefinitely as permitted under current NZ GAAP.

- ▶ NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.
- ▶ The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council will be eligible to apply the reduced disclosure regime (Tier 2 reporting entity) of the public sector Public Benefit Entity Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, the Council will transition to the new standards in preparing its 30 June 2015 financial statements. The Council has not assessed the implications of the new Accounting Standards Framework at this time.
- ▶ Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant accounting policies

Associate entities

An associate is an entity over which Western Bay has significant influence and that is neither a subsidiary nor an interest in a joint venture of Western Bay. Western Bay has a 50% ownership in Western Bay Moana Rural Fire Authority and a 1/9th 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 these associates is initially recognised at cost and the carrying amount is increased or decreased to recognise Western Bay's share of the surplus or deficit of the associate after the date of acquisition. Western Bay's share of the surplus or deficit of the associate is recognised in Western Bay's statement of comprehensive income. Distributions received from an associate reduce the carrying amount of the investment.

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

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Rates revenue

Rates are set annually by a resolution of Council and relate to a financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised when payable.

Rates collected on behalf of Bay of Plenty Regional Council (BOPRC) are not recognised in the financial statements, except to the extent that they are included in the statement of cashflows, as Western Bay is acting as an agent for BOPRC.

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.

Government grants

Western Bay of Plenty District Council receives government grants from New Zealand Transport Agency (NZTA), which subsidise part of Western Bay of Plenty District Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Vested assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as income. Assets vested in Council are recognised as income when control over the asset is obtained.

Interest income

Interest income is recognised using the effective interest method.

Sales of goods

Revenue from sales of goods is recognised when a product is sold to the customer.

Traffic and parking infringements

Traffic and parking infringements are recognised when tickets are issued.

Dividends

Dividends are recognised when the right to receive payment has been established.

Financial contributions

The Resource Management Act 1991 governs the legislation regarding the charging of financial contributions. Financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise financial contributions are transferred to reserves until such time as the Council provides, or is able to provide, the service.

Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to the balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with Council's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the statement of comprehensive income.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

Finance costs

Borrowing costs are recognised as an expense in the period in which they are incurred. The Council has not capitalised borrowing costs associated with funding capital works in progress, which represents a departure from NZ IAS 23: Borrowing Costs. However it is in line with the decision of the Accounting Standards Review Board to indefinitely defer the adoption of NZ IAS 23 for public benefit entities.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application has been received that meets the specified criteria for the grant.

Discretionary grants are those grants where Western Bay has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Western Bay's decision.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Income tax

Western Bay does not pay income tax as Section CW39 of the Income Tax Act 2007 specifically exempts income derived by a local authority from income tax, unless that income is derived from a Council Controlled Organisation, a port related commercial undertaking or as a trustee.

Leases**Finance leases**

Western Bay does not currently have any finance leases.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that Western Bay will be unable to collect all amounts due according to the original

terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the effective interest method.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the statement of comprehensive income. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Derivative financial instruments

Western Bay of Plenty District Council uses derivative financial instruments (interest rate swaps) to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Western Bay of Plenty District Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Western Bay has elected not to hedge account for its derivative financial instruments.

The associated gains or losses of these derivatives (that are not hedge accounted) are recognised in the surplus or deficit.

Financial assets

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of comprehensive income.

Purchases and sales of financial assets are recognised on trade-date, the date on which Western Bay of Plenty District Council commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Western Bay of Plenty District Council has transferred substantially all the risks and rewards of ownership.

Western Bay of Plenty District Council classifies its financial assets into the following categories: fair value through

surplus or deficit, held-to maturity investments, loans and receivables and fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Western Bay's financial assets at fair value through surplus or deficit include derivatives that are not designated as hedges (interest rate swaps).

After initial recognition they are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. Western Bay's loans and receivables comprise cash and cash equivalents, debtors and other receivables, term deposits and related party loans.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in the statement of comprehensive income.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Western Bay of Plenty District Council has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method less impairment.

Gains and losses when the asset is impaired or de-recognised are recognised in the statement of comprehensive income.

Council does not currently hold any financial assets in this category.

Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

This category encompasses:

- ▶ investments that Western Bay of Plenty District Council intends to hold long-term but which may be realised before maturity; and
- ▶ shareholdings that Western Bay of Plenty District Council holds for strategic purposes.

Western Bay of Plenty District Council's investments in its associates are not included in this category as they are held at cost (as allowed by NZ IAS 28:Investments in Associates) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Investments in this category include shares held in New Zealand Local Government Insurance Corporation.

Fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Western Bay uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted expected cash flows, are used to determine fair value for the remaining financial instruments.

Impairment of financial assets

At each balance date Western Bay of Plenty District Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

Loans and other receivables and held to maturity investments

Impairment is established when there is objective evidence that Western Bay will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy and default in payments are considered indicators that the asset is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For local authority stock and government stock impairment, losses are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive income

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered objective indicators that the asset is impaired.

If such evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, Western Bay of Plenty District Council measures all investment property at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive income.

There is no depreciation on investment properties.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the Western Bay of Plenty District Council, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Staff training costs are recognised as an expense when incurred.

Emission Trading Scheme New Zealand Units (NZU's)

Council has been allocated and holds NZU's in respect of its forestry stands in the district. NZU's are initially recorded at cost and are subsequently measured at fair value each balance date. Any movement in fair value is recognised in surplus or deficit.

Costs associated with maintaining NZU's are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line or diminishing value basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is de-recognised.

The amortisation charge for each period is recognised in the statement of comprehensive income. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- ▶ Computer software licenses are capitalised at historic cost and are amortised over their estimated useful lives on a straight line or diminishing value basis.
- ▶ Subdivision rights in relation to the joint purchase of land at Te Tumu, Papamoa by Tauranga City Council and Western Bay of Plenty District Council. This land was purchased with the condition of providing the vendor the option to acquire it sometime in the period from December 2016 to December 2026. This is amortised on a straight line basis over the 10 years.

Neither Council has any intention to develop this land or retain ownership long term.

- ▶ Resource consents which are not attributed to a specific asset are capitalised at historic cost and amortised on a straight line basis over their estimated useful lives (usually 20 years).

Property, plant and equipment

Property, plant and equipment consist of:

(a) Infrastructure assets

Infrastructure assets are the fixed utility systems owned by Western Bay. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

(b) Restricted assets

Restricted assets are parks and reserves owned by Western Bay which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

(c) Operational assets

These include land, buildings, landfill post closure, library books, plant and equipment and motor vehicles.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

In most instances, an item of property, plant or equipment is recognised at its cost. Where an asset is acquired at no cost or at a nominal value, it is recognised at fair value as at the date of acquisition.

Revaluation

Western Bay accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of comprehensive income.

Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of comprehensive income will be recognised first in the statement of comprehensive income up to the amount previously expensed and then credited to the revaluation reserve for that class of asset.

Those asset classes that are revalued are valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least on a three-yearly valuation cycle. The carrying values of revalued assets are reviewed at each balance date to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are re-valued.

Transportation assets including roads, bridges and footpaths were revalued at depreciated replacement cost at 1 July 2013 and certified by Opus International Consultants Limited.

Water, wastewater and stormwater assets including reticulation, treatment plants, reservoirs and bores were revalued at depreciated replacement cost at 1 July 2013 and certified by Aecom New Zealand Limited.

Land and buildings, excluding land under roads, were revalued at fair value at 1 July 2011 by Landmass Technology Limited. Land under roads was revalued at 1 July 2011 by Landmass Technology Limited.

All other asset classes are carried at depreciated historical cost.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if and, only if, it is probable that future economic benefits or service potential associated with the item will flow to the Western Bay of Plenty District Council and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the statement of comprehensive income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation

Depreciation is provided on a straight-line basis on all buildings, bridges and other structures and diminishing value for motor vehicles, plant and equipment, office equipment and furnishings. Land and drains are nondepreciable. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings

▶ concrete	100 years	Straight line
▶ wooden	40 years	Straight line
▶ improvements	10 years	Straight line
Land (not depreciated)		
Other plant and equipment	10 years	Diminishing value
Office equipment and furnishings	10 years	Diminishing value
Computer systems	5 years	Diminishing value
Motor vehicles	5 years	Diminishing value
Library books	10-15 years	Straight line

Infrastructure

Roading network

Pavement (base course)	25 to 75 years	Straight line
Seal	12 years	Straight line
Unsealed	3 to 5 years	Straight line
Other	5 to 70 years	Straight line
Formation (not depreciated)		

Bridges

▶ concrete	100 years	Straight line
▶ steel	50 years	Straight line

Reticulation

Water	20 to 60 years	Straight line
Sewerage	60 to 100 years	Straight line
Stormwater	80 to 120 years	Straight line
Treatment plant and equipment	25 to 50 years	Straight line

Other structures

Wooden reservoirs	80 years	Straight line
Concrete reservoirs	100 years	Straight line
Dams	100 years	Straight line
Bores	100 years	Straight line

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year end.

Impairment of property, plant and equipment and intangible assets

Non-financial assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date.

When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of comprehensive income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of comprehensive income.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs, and silvicultural costs and takes into consideration environmental, operational, and market restrictions.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Council after deducting all of its liabilities.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at their fair value net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless Western Bay has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Employee entitlements

Short-term employee entitlements

Employee benefits that Western Bay of Plenty District Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, retiring and long-service leave entitlements expected to be settled within 12 months.

Western Bay recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long-service leave and retiring leave have been calculated on an actuarial basis.

The calculations are based on:

- ▶ likely future entitlements accruing to staff, based on years of service, years to entitlement;
- ▶ the likelihood that staff will reach the point of entitlement and contractual entitlement information; and
- ▶ the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Provisions

Western Bay of Plenty District Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Landfill post-closure provision

Council, as operator of the Te Puke and Athenree landfills, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including legal requirements and known improvements in technology. The provision includes all costs associated with landfills post-closure.

Performance Based Contract Provision (PBC Provision)

The PBC contract is a roading contract between Opus International Consultants Limited and the Western Bay of Plenty District Council for a fixed value (plus cost variations) over a 2 year period in return for the network being maintained to the required standard, which is measured by a number of key performance indicators and operational performance measures. In instances where the contractor has over-performed against key performance indicators, a provision is recognised, being the present value of future cash outflows expected to be incurred relating to capital works done in advance.

Financial guarantee contracts

A financial guarantee contract is a contract that requires us to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to meet a payment when due.

Financial guarantee contracts are initially recognised at fair value, even if a payment under the guarantee is not considered probable. If a financial guarantee contract was issued as a stand-alone, arms length transaction to an unrelated party its fair value at inception is equal to the consideration received. When no consideration is received liability is recognised based on the probability that we will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised prior to discounting to fair value is disclosed as a contingent liability.

Financial guarantees are subsequently measured at fair value. Any changes in fair value are taken through surplus and deficit. However, if it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Equity

Equity is the community's financial interest in the Western Bay of Plenty District Council as measured by the value of total assets less total liabilities. Equity is disaggregated and classified into a number of reserves to enable clearer identification of the use Council makes of its accumulated surpluses. The components of equity are:

- ▶ retained earnings;
- ▶ restricted reserves;
- ▶ council created reserves;
- ▶ asset revaluation reserves; and
- ▶ fair value through other comprehensive income reserves.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Western Bay.

Restricted reserves are those subject to specific conditions accepted as binding by Western Bay and which may not be revised by Western Bay without reference to the Courts or a third party. Transfers to and from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at Council's discretion.

Western Bay's objectives, policies and processes for managing capital are described in note 45.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for debtors and other receivables and creditors and other payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Cost of service statements

Council has derived the cost of service for each significant activity of the Western Bay of Plenty District Council using the cost allocation system set out below:

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Budget figures

The budget figures are those approved by the Council at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Western Bay for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements Western Bay of Plenty District Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Landfill aftercare provision

Note 27 presents an analysis of the exposure of Western Bay in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- ▶ the physical deterioration and condition of an asset, for example Western Bay could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example, stormwater, wastewater and water supply pipes which are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- ▶ estimating any obsolescence or surplus capacity of an asset; and
- ▶ estimates being made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the assets, then Western Bay could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk Western Bay's infrastructural assets useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines, published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Western Bay's asset management planning activities, which gives Western Bay further assurance over its useful life estimates.

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

Critical judgements in applying Western Bay's accounting policies

Management has exercised the following critical judgements in applying the Western Bay's accounting policies for the period ended 30 June 2014.

Classification of property – pensioner housing

Western Bay owns a number of properties which are maintained to provide housing for pensioners.

The rentals are set so that the activity operates on a break-even basis. The property is held for service delivery objectives as part of Western Bay's social housing policy. As part of the 2009-19 LTCCP process Council resolved to retain pensioner housing as an activity within Council. The property is accounted for as property, plant and equipment.

Summary of cost of services

2 Total operating revenue

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Significant activities			
Representation	2,695	2,592	2,540
Planning for the future	2,144	2,126	2,287
Communities	5,074	5,102	4,609
Recreation and leisure	8,156	7,161	8,329
Regulatory services	5,254	4,861	5,204
Transportation	23,317	24,686	23,315
Water supply	9,651	9,260	9,040
Stormwater	3,889	3,601	3,130
Natural environment	242	257	234
Wastewater	9,993	10,076	9,862
Solid waste	1,491	1,667	1,378
Economic	1,529	1,442	1,542
Support services	10,452	5,581	8,647
Total operating revenue by activity	83,889	78,412	80,119

3 Total operating expenditure

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Significant activities			
Representation	2,544	2,597	2,397
Planning for the future	1,875	2,113	1,746
Communities	4,654	4,999	4,577
Recreation and leisure	6,417	5,157	5,764
Regulatory services	4,488	4,826	4,198
Transportation	23,014	21,445	23,372
Water supply	9,862	9,692	9,877
Stormwater	4,083	3,831	4,385
Natural environment	393	340	241
Wastewater	11,679	11,916	12,193
Solid waste	1,080	1,603	1,208
Economic	1,455	1,141	853
Council services	6,566	3,956	3,768
Total operating expenditure by activity	78,110	73,616	74,578

4 Fees and charges from activities excluding targeted rates for water supply

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Significant activities			
Representation	92	-	3
Planning for the future	48	-	4
Communities	469	469	461
Recreation and leisure	660	669	887
Regulatory services	3,571	3,179	3,191
Transportation	169	133	996
Water supply	44	-	47
Stormwater	1	-	1
Natural environment	-	-	-
Wastewater	8	152	55
Solid waste	110	82	76
Economic	88	2	215
Support services	271	142	226
Total revenue from significant activities	5,531	4,828	6,161

General rate income

5 General rate income

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Representation	2,082	2,082	1,972
Planning for the future	2,083	2,083	2,283
Communities	2,632	2,632	2,359
Recreation and leisure	4,297	4,297	4,521
Regulatory services	1,683	1,683	2,013
Transportation	14,043	13,714	13,407
Water supply	-	-	-
Stormwater	197	57	22
Natural environment	133	133	121
Wastewater	903	343	1,275
Solid waste	273	497	284
Economic	928	928	832
Support services	2,042	2,597	580
Total general rates	31,296	31,046	29,669

Rates remissions

Rates revenue is shown net of rates remissions of \$40,866 (2013: \$39,573). Western Bay's rates remission policy allows Western Bay to remit rates on condition of a ratepayer's extreme financial hardship, land used for sport and land protected for historical or cultural purposes.

6 Separate rates attributable to activities

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Representation	521	510	566
Planning for the future	14	13	-
Communities	1,598	1,595	1,410
Recreation and leisure	168	168	66
Regulatory services	-	-	-
Transportation	44	44	43
Water supply	6,052	5,960	5,629
Stormwater	3,080	2,640	2,426
Natural environment	15	15	15
Wastewater	8,347	8,289	7,550
Solid waste	973	957	892
Economic	513	512	495
Support services	1,396	1,254	1,252
Total separate rates	22,721	21,957	20,345
Total rates	54,017	53,003	50,013

Environment Protection is included as part of separate rates.

Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. These non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under Western Bay's rates remission policy.

7 Targeted rates for water supply

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Metered water charges	2,738	2,441	2,666
Total targeted rates for water supply	2,738	2,441	2,666

8 Finance income and finance costs

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Finance income			
Interest income	2,060	953	1,129
Rates postponement scheme	14	8	11
Unrealised hedge movement	3,796	-	4,600
Total finance income	5,870	961	5,741
Finance costs			
Interest expense:			
- interest on bank borrowings	7,224	9,946	6,492
- interest rate swap expense	2,565	-	3,005
Total finance costs	9,789	9,946	9,497
Net finance income/(costs)	(3,919)	(8,985)	(3,756)

9 Vested assets

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Significant activities			
Recreation and leisure	-	-	440
Transportation	289	1,400	353
Water supply	183	200	67
Stormwater	418	300	394
Wastewater	88	340	90
Total significant activities	979	2,240	1,345

10 Subsidies and grants

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Ministry of Health - Maketu Wastewater Scheme	-	150	-
Ministry for the Environment - territorial authority levy for trade waste	134	130	126
Land Transport NZ subsidy	7,352	7,847	6,685
Total subsidies and grants	7,486	8,127	6,811

There are no unfulfilled conditions or other contingencies attached to subsidies recognised (2013:nil).

11 Other revenue

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
Dividends	233	108	109
Petrol tax	378	360	364
Rental income	1,124	930	1,132
Gain on sale of property plant & equipment	57	-	556
Infringements & fines	15	26	16
Total other revenue	1,807	1,424	2,177
Financial contributions			
Planning for the future	-	30	-
Communities	-	29	-
Recreation & Leisure	1,327	1,706	1,446
Transportation	1,420	1,547	1,535
Water Supply	542	597	578
Stormwater	191	604	287
Natural Environment	93	109	98
Wastewater	604	925	889
Total revenue from financial contributions	4,177	5,546	4,833

12 Other expenses

	Actual \$'000 2014	Actual \$'000 2013
Fees to principal auditor:		
- audit fees for financial statement audit	124	121
- audit fees for Long Term Plan	-	-
Insurance premiums	453	436
Consultant and legal fees	1,489	1,045
Impairment of receivables (Note 15)	1,046	1,119
Loss on sale of property, plant and equipment	343	1,004
Minimum lease payments under operating leases	134	110
Other operating expenses	31,677	31,579
Total other expenses	35,266	35,414

13 Personnel costs

	Actual \$'000 2014	Actual \$'000 2013
Salaries and wages	12,910	12,310
Employer contributions to health insurance scheme	99	97
Total personnel costs	13,009	12,407

Council's total Kiwisaver contributions to 30 June 2014 were \$283,264 (2013: \$188,790).

14 Cash and cash equivalents

	Actual \$'000 2014	Actual \$'000 2013
Cash at bank and on hand	915	1,879
Petty cash	3	3
Term deposits with maturities less than 3 months	20,108	7,599
Total cash and cash equivalents	21,033	9,482

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows

	Actual \$'000 2014	Actual \$'000 2013
Cash at bank and on hand	1,030	1,882
Term deposits with maturities less than 3 months	20,108	7,599
Total cash and cash equivalents	21,138	9,482

Interest rates

The weighted average effective interest rates on investments (current and non-current) and associated repricing maturities were:

	2014	2013
Short-term deposits	3.97%	4.00%

15 Debtors and other receivables

	Actual \$'000 2014	Actual \$'000 2013
Rates debtors	7,008	6,303
Metered water debtors	1,144	919
Other trade debtors	1,475	2,411
Sundry debtors	1,261	984
GST Receivable	403	973
	11,291	11,590
Less provision for impairment of receivables	3,716	3,339
	7,575	8,251
Prepayments	359	116
	7,934	8,367

Fair value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

Western Bay of Plenty District Council (WBOPDC) does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place, debts are discounted to the present value of future payments if the impact of discounting is material.

These powers allow WBOPDC to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgement, then WBOPDC can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$nil (2013 \$nil). The Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The status of receivables as at 30 June 2014 and 2013 are detailed below:

	2014			2013		
	Gross Impairment		Net	Gross Impairment		Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not past due	6,032	511	5,521	6,098	190	5,908
Past due 90 days - 2 years	1,290	668	622	1,659	656	1,003
Past due 2-3 years	924	714	211	875	657	218
Past due > 3 years	3,045	1,823	1,222	2,958	1,836	1,122
Total	11,291	3,716	7,575	11,590	3,339	8,251

Receivables greater than 90 days are considered past due.

15 Debtors and other receivables (continued)

The impairment provision has been calculated based on expected losses for Western Bay's pool of debtors. Expected losses have been determined based on an analysis of Western Bay's losses in previous periods and a review of specific debtors as detailed below:

	Actual \$'000 2014	Actual \$'000 2013
Individual impairment	1,823	1,774
Collective impairment	1,893	1,565
Total provision for impairment	3,716	3,339

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

	Actual \$'000 2014	Actual \$'000 2013
Past due 30-59 days	-	-
Past due 60-89 days	-	-
Past due > 90 days	1,823	1,774
Total individual impairment	1,823	1,774

Movement in the provision for impairment of receivables is as follows:

	Actual \$'000 2014	Actual \$'000 2013
As at 1 July	3,339	3,378
Additional provisions made during the year	1,580	1,590
Provisions reversed during the year	(158)	(510)
Receivables written off during the year	(1,046)	(1,119)
At 30 June	3,716	3,339

16 Derivative financial instruments

	Actual \$'000 2014	Actual \$'000 2013
Current portion		
Interest rate swaps – fair value hedges	(3,831)	(7,626)
Total derivative financial instruments	(3,831)	(7,626)

Fair value

Fair value

The fair values of interest rate swaps have been determined using a discounted cash flows valuation technique based on quoted market prices. This valuation has been performed by ETOS Limited, independent valuers.

Forward foreign exchange contracts

The fair values of forward foreign exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates.

Interest Rate Swaps

The notional principal amounts of the current outstanding interest rate swap contracts for the Council were \$129.5m (2013: \$147.50m). At 30 June 2014, the fixed interest rates of cash flow hedge interest rate swaps vary from 3.30% to 6.38% (2013: 3.30% to 7.63%).

17 Other financial assets

	Actual \$'000 2014	Actual \$'000 2013
Current portion		
Term deposits with original maturities of greater than 3 months and remaining maturities of less than 12 months	-	25,000
Total current portion	-	25,000
Non-current portion		
Zespri Group Limited		
17,660 shares (no change from 2013) with a market value as at 30 June 2014 of \$1.15 (\$0.50 in 2013) per share.	20	9
Te Tumu investment (note 42)	1,141	2,480
Total non-current portion	1,161	2,489
Total other financial assets	1,161	27,489

Quoted shares

The fair values of listed shares are determined by reference to published current bid price quotations in an active market.

18 Non-current assets held for sale

Western Bay owns four residential sections (2013: three). These are all located at Waihi Beach. These properties have been identified as being surplus to requirements and have been approved for sale. These properties are expected to be sold within the next twelve months.

	Actual \$'000 2014	Actual \$'000 2013
Non-current assets held for sale are:		
- land	957	657
Total non-current asset held for sale	957	657

19 Investments in associates

	Actual \$'000 2014	Actual \$'000 2013
Share in associates		
Western Bay of Plenty Tourism and Visitors' Trust (50%)	521	182
Total share in associates	521	182

20 Investment in Council Controlled Organisations (CCO's) and other similar entities

	Actual \$'000 2014	Actual \$'000 2013
Western Bay Moana Rural Fire Authority (50%)	86	86
Bay of Plenty Local Authority Shared Services Limited BOPLASS Limited (1/9th share)	14	-
NZ Local Government Insurance Company Limited 28,142 shares (2013:no change) with a market value as at 30 June 2014 of \$1.12 (2013:\$1.18) per share.	31	33
Local Government Funding Agency Limited 3,731,958 shares (2013: no change) at \$1 per share \$0.50 share paid up capital (2013: no change).	1,866	1,866
Local Government Funding Agency Borrower Notes	1,120	1,120
Total Investment in Council Controlled Organisations (CCO's) and other similar entities	3,117	3,105

	Actual \$'000 2014	Actual \$'000 2013
Western Bay Moana Rural Fire Authority		
Assets	213	218
Liabilities	2	20
Revenues	198	210
Surplus / (deficit)	24	27
Western Bay's % interest	50.0%	50.0%

	Actual \$'000 2014	Actual \$'000 2013
Bay of Plenty Local Authority Shared Services (BOPLASS)		
Assets	1,190	940
Liabilities	1,130	975
Revenues	1,504	1,889
Surplus / (deficit)	5	39
Western Bay's % interest	11.1%	11.1%

Balance date of all Council Controlled Organisations is 30 June.

21 Property, plant and equipment

Movements for each class of property, plant and equipment are as follow:

Reconciliation of property, plant and equipment to statement of financial position

	Actual \$'000 2014	Actual \$'000 2013
Property, plant and equipment	1,102,494	1,116,531
Intangible assets	3,395	3,695
Non-current assets held for sale	957	657
Forestry assets	4,821	3,610
	1,111,667	1,124,492

- In respect of the roading component of infrastructural assets:
The Council has formerly recorded a decision to maintain the network in a defined and appropriate operating capacity by a programme of restoration to ensure that its life will be indefinitely prolonged.
- An appropriate Asset Management Plan has been adopted by Council.
The Plan provides:
 - ▶ the level of service required;
 - ▶ the current physical extent, condition and capacity of the network;
 - ▶ the timing, extent and cost of work required to maintain and restore the network's defined operating capacity in future years.

Depreciation and Amortisation Expense	Actual \$'000 2014	Actual \$'000 2013
Representation	11	11
Planning for the future	12	5
Communities	391	360
Recreation and leisure	1,594	1,443
Regulatory services	79	51
Transportation	7,725	7,270
Water supply	2,766	2,646
Stormwater	1,138	1,069
Natural environment	3	2
Wastewater	3,381	3,346
Solid waste	27	24
Economic	1	1
Total depreciation and amortisation by activity	17,128	16,228
Depreciation and amortisation related to support services	1,025	1,032
Total depreciation and amortisation expense	18,154	17,260



2014	Cost /	Accumulated	Carrying	Current	Current	Current	Current year	Transfers	Current year	Revaluation	Revaluation	Cost /	Accumulated	Carrying
	Valuation	depreciation	amount	year	year	year	disposal		depreciation		depreciation	Valuation	depreciation	amount
		and		additions	vested	disposals	depreciation						and	
		impairment			assets								impairment	
		charges											charges	
	1 July 2013	1 July 2013	1 July 2013									1 July 2014	1 July 2014	1 July 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Council 2014														
Operational assets														
Land	28,889	0	28,889	7	-	-	-	-	-	-	-	28,896	-	28,896
Buildings	13,094	(431)	12,663	722	-	-	-	-	(229)	-	-	13,816	(660)	13,156
Coastal marine	6,577	(831)	5,746	27	-	-	-	-	(433)	-	-	6,604	(1,264)	5,339
Libraries	1,803	(419)	1,384	257	-	-	-	-	(261)	-	-	2,060	(680)	1,380
Office equipment	5,493	(4,176)	1,352	541	-	(424)	424	-	(323)	-	-	5,610	(4,075)	1,535
Plant and equipment	373	(277)	96	0	-	(185)	185	-	(18)	-	-	188	(111)	78
Mobile plan & vehicles	1,874	(803)	1,071	539	-	(501)	266	-	(324)	-	-	1,912	(862)	1,051
Work in progress	3,316	0	3,316	(2,681)	-	-	-	-	-	-	-	515	-	515
Total operational assets	61,418	(6,937)	54,516	(588)	-	(1,110)	875	-	(1,589)	-	-	59,601	(7,652)	51,949
Infrastructural assets														
Land	14,713	-	14,713	13	-	(69)	-	-	-	-	-	14,657	-	14,657
Buildings	1,776	(76)	1,700	57	-	-	-	-	(43)	-	-	1,834	(118)	1,715
Water - treatment	2,254	(163)	2,091	-	-	(10)	1	-	(151)	3	(163)	2,085	(151)	1,934
Water - other	76,949	(2,480)	74,469	2,205	183	(40)	8	-	(2,599)	2,430	(2,480)	79,247	(2,591)	76,656
Stormwater	78,808	(1,068)	77,739	577	418	-	-	-	(1,137)	580	(1,068)	79,313	(1,137)	78,176
Wastewater - treatment	11,298	(614)	10,684	397	88	-	-	-	(713)	2,575	(614)	13,744	(713)	13,031
Wastewater - other	109,366	(2,751)	106,615	436	-	-	-	-	(2,656)	(954)	(2,751)	106,098	(2,656)	103,442
Land under roads	156,774	-	156,774	254	39	-	-	-	-	-	-	157,067	-	157,067
Roading - Other	48,627	(1,598)	47,029	1,143	62	-	-	-	(1,575)	(2,468)	(1,598)	45,766	(1,575)	44,190
Roading - Surfaces	485,908	(5,645)	480,263	6,899	188	-	-	-	(6,124)	(13,884)	(5,645)	473,466	(6,124)	467,342
Work in progress	2,358	-	2,358	(108)	-	-	-	-	-	-	-	2,250	-	2,250
Total infrastructural assets	988,832	(14,395)	974,437	11,874	979	(120)	8	-	(14,998)	(11,719)	(14,319)	975,646	(15,066)	960,580
Restricted assets														
Land	71,884	-	71,884	590	-	(479)	-	-	-	-	-	71,995	-	71,995
Buildings	16,927	(1,811)	15,115	3,713	-	(253)	17	-	(1,137)	-	-	20,386	(2,931)	17,455
Work in progress	579	-	579	(65)	-	-	-	-	-	-	-	514	-	514
Total restricted assets	89,389	(1,811)	87,578	4,238	-	(732)	17	-	(1,137)	-	-	92,895	(2,931)	89,964
Total Council	1,139,639	(23,143)	1,116,531	15,523	979	(1,961)	901	-	(17,724)	(11,719)	(14,319)	1,128,142	(25,648)	1,102,494

21 Property, plant and equipment (continued)

Valuation

Operational and restricted land and buildings

At fair value, as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Landmass Technology Limited and the valuation is effective as at 1 July 2011.

Coastal and Marine Structures

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Tonkin and Taylor Limited, and the valuation is effective as at 1 July 2011.

Infrastructural asset classes

Land

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Landmass Technology Limited and the valuation is effective as at 1 July 2011.

Sewerage and Wastewater

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Aecom Limited, and the valuation is effective as at 1 July 2013.

Stormwater

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Aecom Limited, and the valuation is effective as at 1 July 2013.

Water

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Aecom Limited and the valuation is effective as at 1 July 2013.

Roading

At fair value determined on a depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Opus International Consultants Limited and the valuation is effective as at 1 July 2013.

Land under roads

Land under roads was valued based on average land values of the comparable surrounding land within wards by Landmass Technology Limited, effective 1 July 2006. On transition to NZ IFRS Western Bay elected to use the fair value of land under roads as at 1 July 2006 as deemed cost.

Vested infrastructural assets

Valued based on the actual quantities of infrastructural components vested and the current in-ground cost of providing identical services. Assets vested to Western Bay are recognised in the statement of comprehensive income as revenue and in the statement of financial position as property, plant and equipment.

Library collections

At depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library of New Zealand in May 2002. Library stock has been valued effective 1 July 2011 by independent registered valuers, Aecom Limited.

Total fair value of property, plant and equipment valued by each valuer:

	\$'000	\$'000
	2014	2013
Aecom	274,669	271,469
Opus	511,533	527,292
Landmass	305,011	301,381
Tonkin and Taylor	5,339	5,746
Don Hammond	-	3,609
Interpine Forestry Limited	4,821	-
Total	1,101,373	1,109,497

Insurance disclosure as required under Local Government Amendment (No3) Act

	Carry Amount 30 June 2014 \$'000	Insured Amounts 30 June 2014 \$'000
Category A Insurance Contracts		
Water	78,590	155,575
Wastewater	116,473	164,063
Stormwater	78,176	97,899
Mobile Plant & Vehicles	1,051	1,411
Forestry	4,821	4,821
	279,111	423,769
Category A Insurance Contracts (continued)		
Material damage cover		27,966
Buildings	32,327	
Coastal marine	5,339	
Libraries	1,380	
Office equipment	1,535	
Work in Progress	3,398	
Plant & equipment	78	
	44,057	27,966
Category A Total	323,168	451,735
Category B Financial Risk Sharing Arrangements assets		
Nil	-	-
Category B Total	-	-
Category C Financial Risk Sharing Arrangements assets		
Disaster Contingency Reserve		6,979
Land under roads	157,067	-
Roading - Other	44,190	-
Roading - Surfaces	467,342	-
Land	115,548	-
Category C Total	784,148	6,979
	1,107,316	458,714

Underground Assets covered under LAPP is \$222m

Work in progress

The total amount of property, plant and equipment in the course of construction is \$3.28 million (2012: \$6.3 million).

Impairment

There were no impairment losses in the year to 30 June 2014 (2013: \$nil).

22 Intangible assets

There are no restrictions over the title of Western Bay's intangible assets, nor are any intangible assets pledged as security for liabilities.

Property subdivision rights – refer to Note 42.

	Computer Software		Resource Consents		Emissions Trading Scheme NZ Units		Property Subdivision Rights		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July										
Cost	3,847	3,494	596	734	219	219	2,627	2,627	7,394	7,074
Accumulated amortisation and impairment	(2,468)	(2,174)	(102)	(207)	(195)	(129)	(829)	(691)	(3,699)	(3,201)
	1,379	1,320	494	527	24	90	1,798	1,936	3,695	3,873
Work in progress										
Opening carrying amount	1,379	1,320	494	527	24	90	1,798	1,936	3,695	3,873
Year ended 30 June										
Additions	54	353	4	343	-	-	-	-	58	696
Amortisation & impairment charge	(268)	(294)	(23)	-	-	(66)	(138)	(138)	(429)	(498)
Gains					71*				71	-
Disposals				(376)						(376)
Closing carrying amount	1,165	1,379	475	494	95	24	1,660	1,798	3,395	3,695
Balance as 30 June										
Cost	3,901	3,847	600	596	219	219	2,627	2,627	7,452	7,394
Accumulated amortisation and impairment	(2,736)	(2,468)	(125)	(102)	(124)	(195)	(967)	(829)	(4,057)	(3,699)
	1,165	1,379	475	494	95	24	1,660	1,798	3,395	3,695
Work in progress	-	-	-	-	-	-	-	-	-	-
Closing carrying amount	1,165	1,379	475	494	95	24	1,660	1,798	3,395	3,695

*Per statement of comprehensive income this amount is included in Gains.

23 Forestry assets

	\$'000 2014	\$'000 2013
Balance at 1 July	3,610	2,838
Increase due to purchases	-	400
Gains/(losses) arising from changes attributable to physical changes	1,522	217
Gains/(losses) arising from changes attributable to price changes	(260)	155
Decrease due to sale	-	-
Decrease due to harvest	(51)	-
Balance at 30 June	4,821	3,610

TECT All Terrain Park Forest

The TECT all terrain park owns 427.7 hectares of Pinus Radiata forest, 44.7 hectares of Douglas Fir, 10.4 hectares of Larch, 10.1 hectares of Redwood, 12.8 hectares of Cyprus and 2.0 hectares of mixed varieties which are at varying stages of maturity ranging from 1 to 20 years. The total value of the forestry stand is \$5.39 million of which Council owns 50%.

Waihi Beach forest

Council owns 30.9 hectares of Pinus Radiata forest, 26.9 hectares have a maturity of 19 years and 4.0 hectares have a maturity of 18 years. June 2012 was the first date in which this forestry has been identified for valuation purposes. The total value of this forestry stand is \$419,582.

Matakana Island Forest

Council owns 126.4 hectares of Pinus Radiata forest which are at varying stages on maturity ranging from 3 to 30 years with an average age of 15.5 years. The total value of the forestry stand is \$1.71 million.

Valuation assumptions

Independent registered valuer, Interpine Forestry Limited, valued Councils forestry assets as at 30 June 2014. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- ▶ a discount rate of 8.9 % (2013: 8%) has been used in discounting the present value of expected cash flows;
- ▶ notional land rental costs have been included for freehold land;
- ▶ the forest has been valued on a going concern basis and only includes the value of the existing crops on a single rotation basis;
- ▶ no allowance for inflation has been provided;
- ▶ costs are current average costs for established stands. Immature stands cost are compounded at 3.0% (2013: 3.0%) No allowance has been made for cost improvements in future operations; and
- ▶ log prices are based on a twelve quarter rolling average to March 2014.

Financial risk management strategies

The Council is exposed to financial risks arising from changes in timber prices. The Council and group is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future.

Therefore, no measures have been taken to manage the risks of a decline in timber prices. The Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

24 Trade creditors and other payables

	Actual \$'000 2014	Actual \$'000 2013
Trade payables	6,285	6,912
Deposits and bonds	910	882
Environment Bay of Plenty, regional Council rates	380	221
Rates in advance	2,687	2,583
Other income in advance	106	101
Sundry payables	330	381
Total creditors and other payables	10,697	11,081

Trade payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade payables approximates their fair value.

25 Borrowings

Current

	Actual \$'000 2014	Actual \$'000 2013
Secured loans fixed	10,000	7,500
Secured loans floating	8,000	31,000
Total current secured loans	18,000	38,500
Total current borrowings	18,000	38,500

Non-current

	Actual \$'000 2014	Actual \$'000 2013
Secured loans fixed	20,000	10,000
Secured loans floating	118,003	126,005
Total non-current secured loans	138,003	136,005
Total non-current borrowings	138,003	136,005
Total public debt	156,003	174,505

Western Bay of Plenty District Council's secured debt of \$126.003m (2013: \$157.005m) is issued at floating rates of interest. This is converted to fixed rates through the use of interest rate swaps in line with Western Bay's adopted treasury policy.

Western Bay of Plenty District Council's secured floating debt of \$8.000m (2013: \$31.000m) is issued at a margin of between 18bps and 253bps (2013 14bps and 210bps) above bank wholesale rates BKBM.

Security

Council loans are secured over either separate or general rates of the District.

The following is a maturity analysis of total public debt

Repayment terms

	Actual \$'000 2014	Actual \$'000 2013
Payable no later than one year	18,000	38,500
<i>Weighted average interest rate</i>	<i>4.01%</i>	<i>5.05%</i>
Later than one, not later than five years	118,003	111,005
<i>Weighted average interest rate</i>	<i>4.54%</i>	<i>3.80%</i>
Later than five years	20,000	25,000
<i>Weighted average interest rate</i>	<i>5.67%</i>	<i>3.33%</i>
	156,003	174,505

Fair values of non-current borrowings

	Carrying amounts \$'000 2014	Carrying amounts \$'000 2013	Fair values \$'000 2014	Fair values \$'000 2013
Secured loans	138,003	136,005	140,771	136,303
Total	138,003	136,005	140,771	136,303

The fair values are based on cash flows discounted using a rate based on the borrowing rates.

The carrying amounts of borrowings repayable within one year approximate their fair value, as the impact of discounting is not significant.

The weighted average effective interest rates on borrowings (current and non-current) were:

Interest rates

	Actual 2014	Actual 2013
Secured loans and debentures	5.22%	5.01%

Variations from/changes to the borrowing management policy

Western Bay of Plenty District Council has elected not to hedge account for its derivative financial investments.

Western Bay of Plenty District Council manages its borrowings in accordance with its funding and financial policies, which includes a Borrowings Management Policy. These policies have been adopted as part of the Long Term Plan.

As at 30 June 2014 Western Bay had \$30.0 million of undrawn cash facilities available (2013: \$50.0 million).

Debentures

Western Bay of Plenty District Council's secured debt of \$156.0 million (2013: \$174.5 million) is mostly issued at floating rates of interest. This is converted to fixed rates through the use of interest rate swaps in line with Western Bay's adopted treasury policy.

For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a 0.18% to 2.53% margin for credit risk.

Security

The overdraft facility is secured as identified in note 25. The maximum amount that can be drawn down against the overdraft facility is \$600,000 (2013: \$600,000). There are no restrictions on the use of this facility.

26 Employee entitlements

	Actual \$'000 2014	Actual \$'000 2013
Accrued pay	279	223
Annual leave and accrued entitlements	1,209	1,207
Retirement gratuities	27	47
Sick leave	25	38
	1,540	1,515
Made up of:		
Current	1,513	1,469
Non-current	27	47
Total employee entitlements	1,540	1,515

27 Provisions

	Actual \$'000 2014	Actual \$'000 2013
Current portion		
Landfill aftercare provision	9	8
Weathertight Homes Resolution Service	300	300
Performance Based Contract provision – In ³ Roads	-	-
Total current portion	309	308
Non-current portion		
Local Government Funding Agency	-	-
Landfill aftercare provision	368	378
Performance Based Contract provision – In ³ Roads	-	-
Total non-current portion	368	378
Total provisions	677	686

Movements for each class of provision are as follow:

	Landfill \$'000	Weathertight Homes \$'000	PBC Contract \$'000	Total \$'000
Balance at 1 July 2012	394	300	352	1,046
Additional provisions	-	-	-	-
Amounts used	(8)	-	(327)	(335)
Discount unwinding	-	-	(25)	(25)
Balance at 30 June 2013	386	300	-	686
2014				
Balance at 1 July 2013	386	300	-	686
Additional provisions	-	-	-	-
Amounts used	(9)	-	-	(9)
Discount unwinding	-	-	-	-
Balance at 30 June 2014	377	300	-	677

Landfill aftercare costs

Western Bay of Plenty District Council gained resource consents to operate the Te Puke and Athenree landfills. Western Bay of Plenty District Council has a responsibility under the resource consents for closure of the landfills and to provide ongoing maintenance and monitoring of the landfills after the sites are closed. The Te Puke landfill was closed in 1999 and the Athenree landfill in 2003.

Western Bay's responsibilities include:

- ▶ closure costs;
- ▶ final cover application and investigation;
- ▶ incremental drainage control features;
- ▶ facilities for leachate collection and monitoring;
- ▶ facilities for water quality monitoring.

Post closure costs include:

- ▶ treatment and monitoring of leachate;
- ▶ groundwater surface monitoring;
- ▶ implementation of remedial measures as needed for cover and control systems;
- ▶ on-going life maintenance of drainage systems, final cover and vegetation.

The estimated remaining liability for closure and post-closure of Athenree is \$0.40 million (2013: \$0.43 million) and for post-closure of Te Puke of \$0.30 million (2013: \$0.32 million) over the remaining life (Athenree 21 years, Te Puke 18 years) of the resource consents. This liability has been discounted back to a current value of \$0.38 million (2013: \$0.39 million) using a discount rate of 7% (2013: 7%).

Weathertight Homes Resolution Services

Note 35 on page 167 provides additional information regarding this provision.

Equity

28 Retained earnings

	Actual \$'000 2014	Actual \$'000 2013
Opening balance	683,585	682,429
Surplus / (deficit)	6,124	5,541
Other surplus /(deficit) through comprehensive income	10	(5)
Reclassification from prior year	503	-
Reclassification of equity to reserves	(5,996)	-
	684,226	687,965
Transfers to:		
Restricted reserves	(14)	(14)
Council created reserves	(21,298)	(11,865)
	(21,312)	(11,879)
Transfers from:		
Restricted reserves	9	10
Council created reserves	17,888	7,223
Asset revaluation reserve	39	266
	17,936	7,499
Closing balance	680,850	683,585

29 Restricted reserves

	Actual \$'000 2014	Actual \$'000 2013
Opening balance	246	243
Transfers to:		
Accumulated funds	(9)	(10)
Transfers from:		
Accumulated funds	14	14
Closing balance	251	246

30 Council-created reserves

	Actual \$'000 2014	Actual \$'000 2013
Opening balance	17,488	12,847
Transfers to: Accumulated funds	(17,888)	(7,223)
	(17,888)	(7,223)
Transfers from: Accumulated funds	21,298	11,865
	21,298	11,865
Closing balance	20,898	17,489

For a breakdown of Council created reserves see note 32 on page 158

31 General asset revaluation reserve

	Actual \$'000 2014	Actual \$'000 2013
Opening balance	276,382	225,058
Change in asset value	(11,151)	51,806
Transfer to retained earnings on disposal of property	(39)	(266)
Less revaluation attributed to asset disposal	-	(216)
Reclassification of reserves to equity	5,996	-
Closing balance	271,188	276,382
Comprising		
Land	13	13
Buildings	156	156
Water supply	30,252	27,653
Roading	147,197	157,154
Wastewater	47,280	45,696
Stormwater	41,735	41,155
Coastal marine structures	4,052	4,052
Library books	503	503
Total asset revaluation reserve	271,188	276,382

This covers all assets that are revalued except for investment properties.

Asset revaluation reserves

This covers all assets that are revalued except for investment properties.

	Actual \$'000 2014	Actual \$'000 2013
Infrastructural:		
Land	-	-
Water Supply	30,252	27,653
Road Reserves	15,403	15,403
Road Surface	121,816	129,305
Other Roding	9,978	12,447
Wastewater	47,280	45,696
Stormwater	41,735	41,155
Operational assets:		
Land	13	13
Buildings	156	156
Coastal Marine	4,052	4,052
Library Books	503	503
Total general asset revaluation reserve	271,188	276,382

32 Reserve funds

Reserve name	Purpose	Activity	Opening balance 1 July 2013	Deposits to fund to 30 June 2014	Withdrawals from fund to 30 June 2014	Closing balance 30 June 2014
Restricted Reserves	Restricted reserves have been established from public bequests and are only able to be spent in the manner specified by the donor					
Hunter Estate	Established from bequest made in the late 1980s. The funds can only be spent on capital expenditure in Katikati as detailed in our Reserve Management Plans.	Recreation and Leisure	28,074	1,684	-	29,758
I'Anson Park Trust	The accumulated interest is available for both operational and capital expenditure undertaken in the Te Puna area.	Recreation and Leisure	4,515	271	-	4,786
Hastie Bequest	The principle settlement amount of \$100,000 is maintained and the interest can be used for Te Puke area library purchases.	Communities	200,821	12,050	(9,285)	203,586
CE Miller Estate	The interest on the capital of \$9,763 is available for the beautification of Katikati.	Recreation and Leisure	12,721	-	-	12,721
Total Restricted Reserves			246,131	14,005	(9,285)	250,851
Asset Replacement Reserves						
Asset Replacement Reserves - general approach	Depreciation charged is transferred to the specified reserves detailed below and accumulated so that the interest earned on the reserves capital is available for asset replacement/renewals. The replacement/renewals programme is based on the renewals planned in our asset management plans. The reserves are not held as cash reserves.					
Asset Replacement - computers		Support Services	418,256	515,886	(482,567)	451,575
District Reserves		Support Services	995,906	908,120	(360,295)	1,543,731
Huharua Sub Regional Park		Recreation and Leisure	70,259	13,844	-	84,103
TECT All Terrain Park		Recreation and Leisure	319,345	100,643	-	419,988
Asset Replacement - office buildings		Recreation and Leisure	1,028,213	291,220	(272,277)	1,047,156
Asset Replacement - vehicles		Support Services	290,030	319,815	(281,778)	328,067
Asset Replacement - civil defence vehicle		Communities	96,422	24,490	-	120,912
Asset Replacement - telemetry		Communities	64,994	-	-	64,994
Asset Replacement - swimming pool		Recreation and Leisure	79,029	22,125	-	101,154
Asset Replacement - library books		Communities	1,050,734	326,980	-	1,377,714
Asset Replacement - library computers		Communities	1,393	84	-	1,477
Asset Replacement - Cemetery		Communities	54,532	28,356	-	82,888
Asset Replacement - coast marine		Recreation and Leisure	145,969	133,068	(84,495)	194,542
Total Asset Replacement Reserves			4,615,083	2,684,631	(1,481,412)	5,818,302

Reserve name	Purpose	Activity	Opening balance 1 July 2012	Deposits to fund to 30 June 2013	Withdrawals from fund to 30 June 2013	Closing balance 30 June 2013
Restricted Reserves	Restricted reserves have been established from public bequests and are only able to be spent in the manner specified by the donor					
Hunter Estate	Established from bequest made in the late 1980s. The funds can only be spent on capital expenditure in Katikati as detailed in our Reserve Management Plans.	Recreation and Leisure	26,494	1,590	(10)	28,074
I'Anson Park Trust	The accumulated interest is available for both operational and capital expenditure undertaken in the Te Puna area.	Recreation and Leisure	4,259	256	-	4,515
Hastie Bequest	The principle settlement amount of \$100,000 is maintained and the interest can be used for Te Puke area library purchases.	Communities	199,030	11,942	(10,151)	200,821
CE Miller Estate	The interest on the capital of \$9,763 is available for the beautification of Katikati.	Recreation and Leisure	12,721	-	-	12,721
Total Restricted Reserves			242,504	13,788	(10,161)	246,131
Asset Replacement Reserves						
Asset Replacement Reserves - general approach	Depreciation charged is transferred to the specified reserves detailed below and accumulated so that the interest earned on the reserves capital is available for asset replacement/renewals. The replacement/renewals programme is based on the renewals planned in our asset management plans. The reserves are not held as cash reserves.					
Asset Replacement - computers		Support Services	422,627	490,154	(494,525)	418,256
District Reserves		Support Services	-	1,032,726	(36,820)	995,906
Huharua Sub Regional Park		Recreation and Leisure	-	70,259	-	70,259
TECT All Terrain Park		Recreation and Leisure	-	374,843	(55,498)	319,345
Asset Replacement - office buildings		Recreation and Leisure	1,628,270	268,406	(868,463)	1,028,213
Asset Replacement - vehicles		Support Services	316,133	528,572	(554,675)	290,030
Asset Replacement - civil defence vehicle		Communities	92,423	3,999	-	96,422
Asset Replacement - telemetry		Communities	61,261	3,733	-	64,994
Asset Replacement - swimming pool		Recreation and Leisure	57,353	21,676	-	79,029
Asset Replacement - library books		Communities	796,620	254,114	-	1,050,734
Asset Replacement - library computers		Communities	1,393	-	-	1,393
Asset Replacement - Cemetery		Communities	30,266	24,266	-	54,532
Asset Replacement - coast marine		Recreation and Leisure	-	250,104	(104,135)	145,969
Total Asset Replacement Reserves			3,406,347	3,322,852	(2,114,116)	4,615,083

Reserve name	Purpose	Activity	Opening balance 1 July 2013	Deposits to fund to 30 June 2014	Withdrawals from fund to 30 June 2014	Closing balance 30 June 2014
Community Board Reserves						
Community Boards - general approach	We have five community boards but not all of our District is covered by these boards. The Community Board rate is a fixed charge for their community board area of benefit. The level of rating is determined based on the expected expenditure of the Board and may vary between Boards. Any unspent money at year end is transferred to the respective community board reserve account. Reserve funds can only be used for capital, one-off, or non-recurring expenditure items or grants					
Waihi Beach Community Board		Communities	240,313	32,799	(24,680)	248,432
Katikati Community Board		Communities	176,816	33,278	(32,345)	177,749
Omokoroa Community Board		Communities	250,928	42,010	(570)	292,368
Te Puke Community Board		Communities	69,776	37,749	-	107,525
Maketu Community Board		Communities	228,375	24,114	(110,796)	141,693
Total Community Board Reserves			966,206	169,950	(168,391)	967,766
Other Community Reserves						
Other community reserves – general approach	These reserves have been established to accumulate sufficient funds to allow for planned expenditure (per the Long Term Plan) in particular areas, often for town centre development. The funding is provided by way of targeted rates.					
Katikati Development Fund	Set up several years ago in anticipation of the Katikati By-pass impacts on the town and to provide funding for main street improvements as well as encourage business development in Katikati.	Planning for the future	10,580	635	-	11,215
Waihi Beach Town Centre Development	For town centre development.	Economic	506,566	46,847	(581,959)	(28,546)
Katikati Town Centre Development	For town centre development scheduled to begin in as and when opportunities arise.	Economic	332,960	45,143	-	378,103
Omokoroa Town Centre Development	For town centre development scheduled to begin in as and when opportunities arise.	Economic	33,898	2,034	-	35,932
Te Puke Town Centre Development	The development of Te Puke's town centre is currently underway and is planned to be completed in 2013.	Economic	777,945	46,676	(270,834)	553,787
Pukehina Development	Pukehina ratepayers are paying an annual rate of \$20 as a contribution towards a future sewerage scheme for the area.	Planning for the future	380,789	51,497	-	432,286
Total Other Community Reserves			2,042,738	192,832	(852,793)	1,382,777

Reserve name	Purpose	Activity	Opening balance 1 July 2012	Deposits to fund to 30 June 2013	Withdrawals from fund to 30 June 2013	Closing balance 30 June 2013
Community Board Reserves						
Community Boards - general approach	We have five community boards but not all of our District is covered by these boards. The Community Board rate is a fixed charge for their community board area of benefit. The level of rating is determined based on the expected expenditure of the Board and may vary between Boards. Any unspent money at year end is transferred to the respective community board reserve account. Reserve funds can only be used for capital, one-off, or non-recurring expenditure items or grants					
Waihi Beach Community Board		Communities	212,166	34,040	(5,893)	240,313
Katikati Community Board		Communities	149,791	40,740	(13,715)	176,816
Omokoroa Community Board		Communities	219,599	45,329	(14,000)	250,928
Te Puke Community Board		Communities	191,236	30,382	(151,841)	69,776
Maketu Community Board		Communities	205,427	37,148	(14,200)	228,375
Total Community Board Reserves			978,219	187,639	(199,650)	966,208
Other Community Reserves						
Other community reserves – general approach	These reserves have been established to accumulate sufficient funds to allow for planned expenditure (per the Long Term Plan) in particular areas, often for town centre development. The funding is provided by way of targeted rates.					
Katikati Development Fund	Set up several years ago in anticipation of the Katikati By-pass impacts on the town and to provide funding for main street improvements as well as encourage business development in Katikati.	Planning for the future	9,981	599	-	10,580
Waihi Beach Town Centre Development	For town centre development scheduled to begin in 2011/2012.	Economic	186,400	320,166	-	506,566
Katikati Town Centre Development	For town centre development scheduled to begin in as and when opportunities arise.	Economic	(393,511)	726,471	-	332,960
Omokoroa Town Centre Development	For town centre development scheduled to begin in as and when opportunities arise.	Economic	31,998	1,900	-	33,898
Te Puke Town Centre Development	The development of Te Puke's town centre is currently underway and is planned to be completed in 2013.	Economic	1,435,594	-	(657,649)	777,945
Pukehina Development	Pukehina ratepayers are paying an annual rate of \$20 as a contribution towards a future sewerage scheme for the area.	Planning for the future	301,230	79,559	-	380,789
Total Other Community Reserves			1,571,692	1,128,695	(657,649)	2,042,738

Reserve name	Purpose	Activity	Opening balance 1 July 2013	Deposits to fund to 30 June 2014	Withdrawals from fund to 30 June 2014	Closing balance 30 June 2014
Financial Contributions Reserves						
Financial contributions reserves - general	These are specific reserves that must be applied for a particular purpose and under specific criteria or qualifying conditions. These reserves are not cash reserves.					
Ecological financial contributions - capital	Financial contributions split into capital and operational components that are to be spent based on Council's annually approved ecological education programme. Capital expenditure must be by Council resolution and satisfy criteria for privately owned land. Operational expenditure is based on the prior year's closing operations balance available.	Natural Environment	569,443	-	(5,598)	563,844
Ecological financial contributions - operational	As above	Natural Environment	175,153	98,875	(208,221)	65,807
Parks and Community financial contributions	To provide for teaching and public education/awareness raising purposes.	Recreation and Leisure	(3,888,486)	1,335,594	(435,227)	(2,988,119)
Parking space financial contributions	Provided from financial contributions from developers in the urban areas where they cannot provide public car parks themselves.	Regulatory	50,105	-	-	50,105
Lynley Park wastewater remedial	Established from money received from Durham Properties Limited, to be used to fund any infrastructure failures in the Lynley Park Development.	Wastewater	330,300	-	-	330,300
Total Financial Contribution Reserves			(2,763,485)	1,434,469	(649,046)	(1,978,062)
General Reserves						
Established reserves for specific purposes						
Community Discretionary	For any under spent expenditure at year end.	Communities	14,386	-	-	14,386
General Rate	For the accumulation of any net surplus arising from accounts that are general rate funded each year. Deficits are not permitted in this reserve	All	1,889,513	1,874,296	(1,067,504)	2,696,304
Environmental Protection Rate	For the accumulation of any net surplus arising from the Environmental Protection Rate account Deficits are not permitted in this reserve.	All	1,772,972	610,950	(68,910)	2,315,012
Traffic and parking general	Holds the percentage balance of Council-issued infringement notice fines that were not payable to the Government as part of the legislation during the 1980s. Correspondence has not resolved whether the balance is still payable to the Government. No cash is held.	Regulatory	140,448	8,427	-	148,875
Total General Reserves			3,817,320	2,493,673	(1,136,414)	5,174,578

Reserve name	Purpose	Activity	Opening balance 1 July 2012	Deposits to fund to 30 June 2013	Withdrawals from fund to 30 June 2013	Closing balance 30 June 2013
Financial Contributions Reserves						
Financial contributions reserves - general	These are specific reserves that must be applied for a particular purpose and under specific criteria or qualifying conditions. These reserves are not cash reserves.					
Ecological financial contributions - capital	Financial contributions split into capital and operational components that are to be spent based on Council's annually approved ecological education programme. Capital expenditure must be by Council resolution and satisfy criteria for privately owned land. Operational expenditure is based on the prior year's closing operations balance available.	Natural Environment	537,210	32,233	-	569,443
Ecological financial contributions - operational	As above	Natural Environment	193,843	109,488	(128,178)	175,153
Parks and Community financial contributions	To provide for teaching and public education/awareness raising purposes.	Recreation and Leisure	(4,132,502)	1,445,150	(1,201,134)	(3,888,486)
Parking space financial contributions	Provided from financial contributions from developers in the urban areas where they cannot provide public car parks themselves.	Regulatory	50,105	-	-	50,105
Lynley Park wastewater remedial	Established from money received from Durham Properties Limited, to be used to fund any infrastructure failures in the Lynley Park Development.	Wastewater	330,300	-	-	330,300
Total Financial Contribution Reserves			(3,021,044)	1,586,871	(1,329,312)	(2,763,485)
General Reserves						
Established reserves for specific purposes						
Community Discretionary	For any under spent expenditure at year end.	Communities	14,686	-	-	14,386
General Rate	For the accumulation of any net surplus arising from accounts that are general rate funded each year. Deficits are not permitted in this reserve	All	258,489	4,087,470	(2,456,446)	1,889,513
Environmental Protection Rate	For the accumulation of any net surplus arising from the Environmental Protection Rate account. Deficits are not permitted in this reserve.	All	1,538,438	718,198	(483,664)	1,772,972
Traffic and parking general	Holds the percentage balance of Council-issued infringement notice fines that were not payable to the Government as part of the legislation during the 1980s. Correspondence has not resolved whether the balance is still payable to the Government. No cash is held.	Regulatory	132,498	7,950	-	140,448
Total General Reserves			1,943,812	4,813,618	(2,940,110)	3,817,320

Reserve name	Purpose	Activity	Opening balance 1 July 2012	Deposits to fund to 30 June 2013	Withdrawals from fund to 30 June 2013	Closing balance 30 June 2013
Special Reserves						
Disaster Contingency	Council's infrastructure self-insurance fund provided from the sale of power company shares in the 1990s. Council's policy is to self insure based on the premise that commercial infrastructure insurance is not available. Assumes New Zealand Transport Agency (NZTA) would provide 93% of the funds for roading replacement and the Government would provide 50% on the failure of any other infrastructural assets. Major infrastructure, apart from district roading is geographically dispersed throughout our District (primarily stand-alone sewerage and water schemes) and the likelihood of failure of this entire infrastructure at once is assessed as very low.	Communities	6,581,177	394,871	-	6,976,048
Matakana Island Trust	Reserves accumulated several years ago from the appeal against the Katikati Reserve extension across to Matakana Island. The funds are available to be used for improvements to the Matakana Island community.	Planning for the future	258,803	-	-	258,803
Corporate Property and Assets	For any surplus arising from the corporate property/land purchase account.	Support Services	1,941,101	284,526	(115,362)	2,110,265
Civil Defence Contingency	We expect this balance to be maintained at \$20,000 being our costs for a specific civil defence emergency.	Communities	31,996	-	-	31,996
Weathertight Homes		Regulatory	(364,221)	158,020	-	(206,201)
Panepane Point Development Reserve			362,000	-	-	362,000
Total Special Reserves			8,810,855	837,417	(115,362)	9,532,910
Total Council Created Reserves			17,488,718	7,812,972	(4,403,419)	20,898,271
Total All Council Reserves			17,734,849	7,826,977	(4,412,704)	21,149,122

Reserve name	Purpose	Activity	Opening balance 1 July 2011	Deposits to fund to 30 June 2012	Withdrawals from fund to 30 June 2012	Closing balance 30 June 2012
Special Reserves						
Disaster Contingency	Council's infrastructure self-insurance fund provided from the sale of power company shares in the 1990s. Council's policy is to self insure based on the premise that commercial infrastructure insurance is not available. Assumes New Zealand Transport Agency (NZTA) would provide 93% of the funds for roading replacement and the Government would provide 50% on the failure of any other infrastructural assets. Major infrastructure, apart from district roading is geographically dispersed throughout our District (primarily stand-alone sewerage and water schemes) and the likelihood of failure of this entire infrastructure at once is assessed as very low.	Communities	6,179,509	401,668	-	6,581,177
Matakana Island Trust	Reserves accumulated several years ago from the appeal against the Katikati Reserve extension across to Matakana Island. The funds are available to be used for improvements to the Matakana Island community.	Planning for the Future	258,803	-	-	258,803
Corporate Property and Assets	For any surplus arising from the corporate property/land purchase account.	Support Services	1,866,664	174,557	(100,120)	1,941,101
Civil Defence Contingency	We expect this balance to be maintained at \$20,000 being our costs for a specific civil defence emergency.	Communities	31,996	-	-	31,996
Weathertight Homes		Regulatory	(368,484)	4,263	-	(364,221)
Panepane Point Development Reserve			-	362,000	-	362,000
Total Special Reserves			7,968,487	942,488	(100,120)	8,810,855
Total Council Created Reserves			12,847,513	11,982,163	(7,340,957)	17,488,718
Total All Council Reserves			13,090,017	11,995,951	(7,351,118)	17,734,849

33 Reconciliation of net surplus / (deficit) to net cash flow from operating activities

	Actual \$'000 2014	Actual \$'000 2013
Net surplus / (deficit)	6,124	5,541
Add/(less) non-cash items		
Depreciation and amortisation	18,153	17,260
Vested assets	(979)	(1,345)
Gain on sale of assets	(58)	(564)
Gain on valuation of forestry assets	(1,212)	(371)
Investment in associates movement	363	-
Loss on sale of assets	343	1,004
Loss on valuation of assets	-	-
Landfill aftercare provision movement	(9)	(8)
Weathertight homes provision movement	-	-
Performance based contract (PBC) liability movement	-	(352)
Provision for doubtful debts movement	377	-
Unrealised interest	(558)	(493)
Employee expenses	(3)	(74)
Unrealised hedging movement	(3,795)	(4,601)
Impairment of financial instrument	1,892	-
Add/(less) movements in working capital items:		
Accounts receivable	55	3,448
Accounts payable	(382)	807
Add/(less) items classified as investing activities		
Revaluation of shares	(10)	9
Net cash inflow (outflow) from operating activities	20,301	20,261

34 Capital commitments and operating leases

	\$'000 2014	\$'000 2013
Property, plant and equipment	4,983	19,270
Total capital commitments	4,983	19,270

Operating leases as lessee

Western Bay leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	\$'000 2014	\$'000 2013
Not later than one year	103	84
Later than one year and not later than two years	21	77
Later than two years and not later than five years	63	-
Later than five years	880	-
Total non-cancellable operating leases	1,067	161

Leases can be renewed at Western Bay's option, with rents set by reference to current market rates for items of equivalent age and condition.

There are no restrictions placed on Western Bay by any of the leasing arrangements.

No contingent rents have been recognised in the statement of comprehensive income during the period.

Other Commitments - performance based roading contract and utilities professional services contract

In addition to the above commitments Council has entered into contracts for the provision of capital and maintenance work to the District's roading network and provision of professional management services to the utilities network.

In October 2012, Council entered into a two year extension to the ten year performance based contract with Opus International Consultants Limited to provide capital and maintenance work to the District's roading network. The value of the contract is \$26.07 million and as of 30 June 2014 \$3.71 million (2013: \$18.65m remained committed on this contract for the remaining three months, this includes the estimated escalations in the contract. As part of the contract there is ongoing performance and condition monitoring to ensure compliance with the key performance indicators of the contract. Failure by the contractor to meet these key performance indicators can lead to termination of the contract.

35 Contingencies

Contingent liabilities

	\$'000 2014	\$'000 2013
Building Act claims	50	50
Weathertight Homes Resolution Service (WHRS)	600	600
Katikati Heritage Museum Charitable Trust	550	550
Athenree Property Limited	2,433	2,433
Local Authority Protection Programme Disaster Fund (LAPP)	380	380
Total contingent liabilities	4,013	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 that Act indicating potential liabilities (2013:\$50,000). The \$50,000 disclosed relates to the potential 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 2014 (2013: two additional claims). 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. Three of these claims have been closed. There are a total of eight claims that are still open as at balance date (2013:10).

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

Western Bay has entered a guarantee arrangement with the Katikati Heritage Museum Charitable Trust (The Trust) and the BNZ bank. The purpose of the guarantee was to ensure that The Trust was able to secure funding to purchase the assets of the Katikati Museum. Western Bay is satisfied that there is adequate security in the underlying assets to ensure there is no call on the guarantee, therefore no liability has been recognised.

Athenree Property Limited

Council are being sued by Athenree Property Limited in the High Court. They claim \$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. Council's legal advisors have assessed the overall claim against Council and their assessment is that overall the claim against Council is weak and lacking in merit. Therefore, this has been disclosed as a contingent liability.

New Zealand Local Government Funding Agency (LGFA)

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

As at 30 June 2014 there were 31 (2013:30) shareholders made up of 30 local authorities and the Crown.

All 30 local authority shareholders have uncalled capital equal to their individual shareholding and totalling \$20 million in aggregate which can be called on in the event that an imminent default is identified. The shareholders are also guarantors of the LGFA balance sheet and the borrowings of all other local authorities which totalled \$3,695m (2013: \$2,475m) at 30 June.

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

- ▶ We are not aware of any local authority debt default events 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 earthquakes claims. Subsequently, in order to keep premiums at a more affordable level, the fund has incorporated a risk sharing scheme. This means that Western Bay of Plenty District Council may have to contribute up to \$380,000 if there are two Christchurch type events in the next financial year.

Share of associates' contingent liabilities

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

36 Prior year adjustments

There were no prior year adjustments.

37 Related party transactions

Financial transactions have taken place during the financial years with the following related parties:

Related party transactions with associates

	Actual \$'000 2014	Actual \$'000 2013
Western Bay Moana Rural Fire Authority		
Services provided to Western Bay	111,024	107,790
Western Bay of Plenty Tourism and Visitors' Trust		
Services provided to Western Bay	206,518	200,100
Bay of Plenty Local Authority Shared Services Limited		
Services provided to Western Bay	202,266	147,569
New Zealand local Government Funding Agency		
Funding provided to Western Bay	-	25,000,000

During the year Council provided funding of \$177,863 (2013: \$168,354) to the Te Puke Economic Development Group. Karyl Gunn, the Te Puke Community Board Chairperson is a director. The Te Puke Economic Development Group's was established to facilitate the engagement of all economic sectors in the Western Bay of Plenty district and to grow economic value.

Councillor Mike Williams was the chairperson of the Katikati Heritage Museum Trust (The Trust) during the year. Katikati Community Board Member Brendan Gibbs was also a trustee of the Trust during the year. Council has provided the BNZ bank with a guarantee of \$550,000 to assist The Trust with securing finance, refer to note 35 for further details. In June 2014 Council purchased the Museum collection for \$45,000.

Council has a 50% interest in Western Bay Moana Rural Fire Authority which is an incorporated society established to co-ordinate delivery of rural fire support within the District. In the 2013/2014 year the Council's significant policies and objectives in regard to ownership and control of the organisation as set out in the constitution have been attained. This is in respect of the resources, activities and entities under its control that it has operated effectively and efficiently; it has complied with laws, regulations and contractual requirements; and, its business has been conducted with regard to probity.

Councillor Gwenda Merriman was on the Board of Western Bay Moana Rural Fire Authority until October 2013. Councillor Kevin Marsh was appointed to the Board of Western Bay Moana Rural Fire Authority in November 2013. Council has a 50% interest in Western Bay of Plenty Tourism and Visitors' Trust. This is a not-for-profit entity established to promote the economic welfare and development of the Western Bay of Plenty region and its citizens through the marketing, management and any other activity which impacts on the region as a visitor and tourist destination.

Council has a 1/9th share in Bay of Plenty Local Authority Shared Services Limited (BOPLASS Limited). BOPLASS Limited has been established to foster collaboration between councils in the delivery of services particularly back office or support services.

Western Bay of Plenty District Council's Chief Executive, Glenn Snelgrove, was a director of BOPLASS Limited as at 30 June 2014, subsequent to balance date Glenn Snelgrove retired and Miriam Taris was appointed CEO and took up the vacant director position.

Transactions with key management personnel

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Western Bay (such as payment of rates, purchase of rubbish bags, etc.).

From time to time Western Bay contracts services with Te Puke Engineering Limited, of which Councillor Paul Thomas is a director. The value of the contract works totalled \$nil (2013: \$1,078, negotiated on normal commercial terms). There was no balance outstanding at year-end (2013:nil).

During the year council provided funding of \$164,627 to Priority One (2013: \$159,690), Western Bay of Plenty District Council's Chief Executive, Glenn Snelgrove, is on the executive board of Priority One. Priority One is the economic development organisation covering Tauranga and the Western Bay of Plenty. The organisation was established by the business community and is half funded by business membership, Western Bay of Plenty District Council and Tauranga City Council. It is also contracted to deliver economic outcomes by Tauranga City and Western Bay of Plenty District councils.

37 Related party transactions (continued)

Western Bay's Group Manager Customer Services' wife was employed at Western Bay in the role of Executive Assistant Communications.

During the year Western Bay contracted services totalling \$9,456 from Mondo travel. Western Bay of Plenty District Council's CEO Glenn Snelgrove's wife is a shareholder in this business.

During the year Western Bay paid the Institute of Directors' Bay of Plenty Branch \$7,641.61 (2013: \$748) where Western Bay of Plenty District's CEO Glenn Snelgrove is a Director and Shareholder.

Apart from these transactions no other Councillors or senior management personnel have entered into related party transactions with the Council.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2013: \$nil).

Key management personnel compensation

	Actual \$'000 2014	Actual \$'000 2013
Salaries and other short term employee benefits	996	952
Termination benefits	-	-
Total key management personnel compensation	996	952

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

Council controlled organisation

Bay of Plenty Local Authority Shared Services Limited (BOPLASS Limited)

The Council controlled organisation was formally established in January 2008. The company was set up by the eight local authorities in the Bay of Plenty region to foster collaboration between councils in the delivery of services particularly back office or support services. Gisborne District Council joined BOPLASS Limited during the 2009/2010 financial year.

As a Council Controlled Organisation, Bay of Plenty Local Authority Shared Services Limited (BOPLASS Limited) is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent. The company is governed by a Board of Directors being the Chief Executives of the constituent local authorities.

Financial performance for the year ended 30 June 2013

Parent \$'000 2012/13	Consolidated \$'000 2012/13		Parent \$'000 2013/14	Consolidated \$'000 2013/14
1,889	1,889	Revenue	1,504	1,504
1,850	1,850	Expenditure	1,499	1,499
39	39	Surplus / (deficit)	5	5
39	39	Net surplus / (deficit) year	5	5

Statement of intent and performance

The company has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2014/15 and associated budget formally adopted by the directors at the meeting held on 13 June 2014.

The following overleaf is a report of performance against targets set in the Statement of Intent for 2013/14.

Performance Targets for 2013-2014		
Outcomes	Measure	Result
Successfully implement two of the Identified Shared Service projects (Listed in Appendix A) within a 12 month period.	Number of shared services initiated - one shared service per year.	<ul style="list-style-type: none"> ▶ Inter-council network security standards and protocols developed and established. ▶ Development of shared IT hosting infrastructure completed within external datacentre. ▶ Following a strategic review in late 2013, the BOPLASS Board advised in the 2014 Half Yearly Report that BOPLASS strategy had been reset and the shared services target for 2013/14 would not be applicable or achieved.
Investigate a minimum of four Joint Procurement or Shared Services initiatives per year for goods and services from sources offering best value, service, continuity of supply and/or continued opportunities for integration (Current identified projects are listed in Appendix A).	Number of procurement initiatives investigated and or completed. Four joint procurement initiatives per year.	<ul style="list-style-type: none"> ▶ Infrastructure insurance options investigated and new contracts established for participating councils. ▶ Joint Media Monitoring contract implemented and shared portal developed. ▶ Radio telephony procurement and regional strategy initiated. ▶ Travel and accommodation services procurement initiated. ▶ Document back scanning services investigated and establishment of a BOPLASS service evaluated. ▶ High volume print and mail services procurement initiated. ▶ Additional GIS software joint procurement opportunities investigated. ▶ Antivirus alternatives investigated. ▶ Agenda Management software provider appointed. ▶ Database monitoring procurement investigated. ▶ Aerial drones procurement and capabilities under investigation. ▶ Shared licence management server developed to support joint procurement of current and future software licences.
Manage and/or renegotiate existing contracts ensuring appointed vendors remain competitive and continued best value is returned to shareholders.	Maintain relationships with existing vendors. Renegotiate competitive contracts.	<ul style="list-style-type: none"> ▶ Telecommunications contract tendered with further discounts negotiated. ▶ Postal services contract renegotiated. ▶ ESRI contract renegotiated and renewed. ▶ Further N3 contract discounts negotiated. ▶ New aerial photography contract investigated. ▶ Fuel contract reviewed and alternative proposed to councils. ▶ Improved pricing and standardisation through an enterprise Objective document management contract investigated. ▶ Video conference services renewal options investigated.
Perform self assessment reviews of governance.		<ul style="list-style-type: none"> ▶ Strategic reviews and facilitated workshops completed by the Board.
Communicate with each shareholding council at appropriate levels with at least one meeting with each Executive Leadership Team per year.	At least one meeting with each council and or/management team level.	<ul style="list-style-type: none"> ▶ Meetings held with councils.
Ensure sufficient income is available from activities to sustain a viable company.	Income received from contributing councils and funding from activities to meet operational budget.	<ul style="list-style-type: none"> ▶ Council contributions levied, activity groups levied, contributions received from activities producing savings. Non-voting shares issued to improve equity ratios.

37 Related party transactions (continued)

Council controlled organisation

New Zealand Local Government Funding Agency Limited (LGFA)

The Council controlled organisation was formally established in December 2011. The company was set up by the eighteen local authorities and the Crown to provide debt funding to local authorities in New Zealand.

As a Council Controlled Organisation, New Zealand Local Government Funding Agency Limited (LGFA) is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent.

The company is governed by a Board of Directors.

Financial performance for the year ended 30 June 2013

Parent \$'000	Consolidated \$'000		Parent \$'000	Consolidated \$'000
2012/13	2012/13		2013/14	2013/14
6,530	6,530	Revenue	10,200	10,200
3,860	3,860	Expenditure	3,280	3,280
2,670	2,670	Surplus/(deficit)	6,920	6,920
2,670	2,670	Net surplus/(deficit) year	6,920	6,920

Statement of intent and performance

The company has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2014/15 and associated budget formally adopted by the company on 30 June 2014.

The following is a report of performance against targets set in the Statement of Intent for 2013/14.

Performance Targets for 2013-2014		
Outcomes	Measure	Result
Providing estimated savings in annual interest costs for all Participating Local Authorities of at least 30 basis points, based on the methodology set out in LGFA's Annual Report 2011-2012.	LGFA measures the pricing performance of bond tenders against two key benchmarks.	<ul style="list-style-type: none"> ▶ LGFA has met its primary objective by achieving significant improvements in the pricing of the benchmark 15 December 2017 and 15 March 2019 bonds. ▶ From the inaugural tender held on 15 February 2012, there has been substantial improvement.
Making longer-term borrowings available to Participating Local Authorities.	Maturities available to participating local authorities.	<p>LGFA have continued to offer two maturities in excess of five years that are available to participating councils:</p> <ul style="list-style-type: none"> ▶ 15 April 2023 bond (five years plus), first issued at the nineteenth bond tender held on 2 April 2014. ▶ 15 May 2021 bond (five years plus), first issued at the twelfth bond tender held on 15 May 2013.
Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice.	Volume to bid ratio.	<ul style="list-style-type: none"> ▶ Access debt markets has been enhanced by the consistently strong cover ratios achieved at most LGFA bond tenders with an average bid to volume ratio of 3.5 times.
Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities.		<ul style="list-style-type: none"> ▶ Strong council support for LGFA. After the 12th bond tender in June 2014, 38 (out of the 42) participating councils had borrowed from us.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating.	Credit rating of AA+ is maintained	<ul style="list-style-type: none"> ▶ Met

37 Related party transactions (continued)

Council controlled organisation

Western Bay of Plenty Tourism and Visitors Trust (Tourism Bay of Plenty)

Tourism Bay of Plenty is a Council controlled organisation of both the Tauranga City Council and Western Bay of Plenty District Council and was formally established in July 2002.

As a Council Controlled Organisation, Tourism Bay of Plenty is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent.

The company is governed by a Board of Trustees.

Parent \$'000	Consolidated \$'000		Parent \$'000	Consolidated \$'000
2012/13	2012/13		2013/14	2013/14
1,971	1,971	Revenue	1,988	1,988
1,701	1,701	Expenditure	1,843	1,843
270	270	Surplus/(deficit)	145	145
270	270	Net surplus/(deficit) year	145	145

Statement of intent and performance

The company has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2014/15 and associated budget formally adopted by the company on 30 June 2014.

The following overleaf is a report of performance against targets set in the Statement of Intent for 2013/14.

Above performance targets are unaudited preliminary results.

37 Related party transactions (continued)

Performance Targets for 2013-2014		
Outcomes	Measure	Result
Product development	<ul style="list-style-type: none"> ▶ Encourage investment and development of new tourism product. ▶ Advocate for infrastructure development that supports tourism. ▶ Encourage IBO's to be active in the Bay of Plenty. ▶ Develop and maintain strong relationships with local Iwi. 	<ul style="list-style-type: none"> ▶ Worked with Experience Comvita on the opening of their visitor experience centre. ▶ Regular collaboration with Port, Cruise operators and local interest groups to share ideas, information and manage concerns. ▶ Extended urban cycleway proposal with Tauranga City Council and Western Bay of Plenty District Council.
Destination Marketing	<ul style="list-style-type: none"> ▶ Grow visitor volume and value by communication through innovative and effective destination marketing. 	<ul style="list-style-type: none"> ▶ Launched domestic marketing campaign in November 2013 and continued throughout March and April 2014. ▶ As part of the Domestic Campaign new imagery was taken as existing photographs and video of the BoP were outdated and did not reflect the beauty of the Bay. ▶ A Joint Venture with Jason's saw a new Visitor Guide and Destination Map launched with positive feedback. ▶ Other marketing promotions. Winter/Autumn visitor guide edition. ▶ Trade operator collaboration: The new brand campaign "Plenty for Everyone" was developed in conjunction with industry they are now participating in the campaign with advertising opportunities and tradeshow. ▶ Regular meetings held / forums with Tourism Operators (quarterly).
Destination Management	<ul style="list-style-type: none"> ▶ Influence the regional offer through collaborative destination management and integration across stakeholders to maximise the visitor spend experience. ▶ Review the destination brand in conjunction with local agencies and corporate partners, industry and interested partners. ▶ Develop market statistics database to capture relevant, accurate and timely information. 	<ul style="list-style-type: none"> ▶ Key deliverables met throughout July 2013 - June 2014, such as; <ul style="list-style-type: none"> ■ Visitor guest nights in 2013 totalled 252,000 international guest nights and 797,300 domestic visitors. This is an increase of 6.8% overall with a 14% increase in international visitors and 5% from domestic visitors.
International Marketing	<ul style="list-style-type: none"> ▶ Continue working with Pacific Coast Highway and Explore Central North Island collectives. ▶ Identify key international markets. ▶ Profile Bay of Plenty at TRENZ 	<ul style="list-style-type: none"> ▶ Key deliverables met throughout July 2013 - June 2014, such as; <ul style="list-style-type: none"> ■ New international marketing brochure produced in conjunction with trade.
Events	<ul style="list-style-type: none"> ▶ Target more national events to be held in region. 	<ul style="list-style-type: none"> ▶ Supported key events: National Crossfit Championships; AIMS Games; Gardens and Arts Festival; SA/NZ Cricket ODI's; Jet Sprints
Relationship Management and Stakeholder Communications	<ul style="list-style-type: none"> ▶ Series of (inform and educate) integrated advertising and PR campaigns providing information to locals. ▶ Communications plan to ensure all key stakeholders are engaged in and aware of TBoP activities. 	<ul style="list-style-type: none"> ▶ Locals campaign repeated in November 2013; "Mates Rates" ▶ Monthly newsletter - delivered monthly to over 4000 stakeholders. ▶ Continued workshops for Tourism Operators to become export ready, conference ready and family ready
Media - Public Relations	<ul style="list-style-type: none"> ▶ Sustained PR activity in local, domestic and international media. 	<ul style="list-style-type: none"> ▶ Numerous press releases; campaigns and activities held.
Cruise	<ul style="list-style-type: none"> ▶ Development of cruise ship market. ▶ Product development wok linked directly to cruise market. 	<ul style="list-style-type: none"> ▶ Key deliverables met throughout July 2013 - June 2014, such as; <ul style="list-style-type: none"> ■ 50% of passengers staying locally. ■ Rated 9.1/10 for customer satisfaction.

38 Remuneration

Chief Executive

The Chief Executive of Western Bay of Plenty District Council appointed under section 42 of the Local Government Act 2002 received a salary of \$331,516 (2013: \$339,491).

In terms of his contract the Chief Executive received the following remuneration:

	Actual \$ 2014	Actual \$ 2013
Salary	331,516	339,491
Employer contributions to superannuation fund	-	-
Vehicle (Market Value plus FBT)	28,519	17,947
Performance Bonus	-	20,000
Other benefits (incl. medical insurance)	3,670	3,367
Total remuneration	363,705	380,805

Elected Representatives

Elected representatives received the following remuneration:

	Actual \$ 2014	Actual \$ 2013
Councillors		
Burgess, Maureen	8,444	25,377
Gilmer, Anne Esther	8,444	25,377
Goudie, Andrew Ian Ross	18,738	-
Gunn, Karyl	21,934	-
Mackay, Peter	18,738	-
Marsh, Kevin Alexander	27,669	27,303
Matthews, Susan	18,352	25,377
Mayo, Norm Frederick	8,444	25,377
Merriman, Gwenda	34,118	25,377
Murray-Benge, Margaret Elizabeth	27,183	25,377
Paterson, Ross James	100,687	96,687
Pittar, Michael	8,444	25,377
Scrimgeour, John Rob	18,738	-
Thomas, Paul Geoffrey	11,908	35,815
Thwaites, Donald Alan	28,260	25,377
Webber, Garry John	28,260	25,377
Williams, Michael	28,746	27,303
Total Councillors	414,135	415,503

Community Board Members

Community board members received the following remuneration:

	Actual \$ 2014	Actual \$ 2013
Community Board Members		
Bain, Richard Wayne	1,065	3,219
Beech, Shane William	4,020	2,413
Cameron, Donald Richard	5,575	3,219
Cantlon, Gary Lewis	1,673	-
Clark, Rachel Ann	2,472	2,413
Craig, Murray Alexander	-	9,655
Dally, Grant Ronald	3,777	3,219
Dodd, Carol Margaret	1,065	3,219
Dunlop, Sam	6,219	3,219
Duske, Bruce	3,196	9,655
Gibbs, Brendan	3,742	3,219
Gunn, Karyl	2,973	9,655
Hassell, Peter	1,065	3,219
Henderson, Kelly Marie	1,673	-
Hobbs, Jennifer Robyn	3,027	-
Mason, Kathy Anne	1,065	3,219
Maurice, Timothy Edward	2,342	-
Miller, Peter	6,219	3,220
Mills, Derek	2,315	3,219
Nielsen, Fernley-Ann	2,887	-
Palmer, John Richard	2,342	-
Parsons, Ruth Miriam	2,412	-
Poihipi, Carol	-	7,240
Roberts, Marilyn Kathleen	2,342	-
Simpson, Stephan	-	992
Sole, Allan James	4,510	-
Spratt, Ronald Parker	2,677	-
Van Dyke, George	1,065	3,219
Whittaker, Glenn	3,196	9,655
Woods, Christopher	3,408	3,219
Wratt, Keith Allan	2,677	-
Total Community Board Members	81,001	90,305
Non-monetary remuneration		
Paterson, Ross James	30,823	33,191

	Actual \$ 2014	Actual \$ 2013
<\$60,000	88	89
\$60,000 - \$79,999	43	45
\$80,000 - \$99,000	23	24
\$100,000 - \$120,000	8	11
>\$120,000	10	8
Total employees	172	177

Total remuneration includes non-financial benefits paid to employees. At balance date the Council employed 166 (2013:160) full-time employees. The balance of staff represents 2 (2013:13) full-time equivalent employees. A full-time employee is determined on the basis of a 40 hour working week.

39 Severance payments

For the year ended 30 June 2014 Western Bay of Plenty District Council made no (2013: nil) severance payments to employees.

40 Events after the balance date

There were no significant events after balance date.

Financial instruments

41 Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

	Note	\$'000 2014	\$'000 2013
Financial assets			
Fair value through surplus and deficit			
- Te Tumu investment	17	1,141	2,480
- Local Government Funding Agency Limited	17	1,866	1,866
Total fair value through surplus and deficit		3,007	4,346
Loans and receivables			
Cash and cash equivalents	14	21,139	9,482
Debtors and other receivables	15	7,470	8,251
LGFA Borrower Notes	20	1,120	1,120
Term deposits	17	-	25,000
Total loans and receivables		29,729	43,853
Fair value through other comprehensive income			
Other financial assets:			
- local authority stock	20	31	33
- listed shares	17	20	9
Total Fair value through other comprehensive income		51	42
Financial liabilities			
Fair value through surplus and deficit			
Derivative financial instrument liability	16	3,831	7,626
Total Fair value through surplus and deficit		3,831	7,626
Financial liabilities at amortised cost			
Creditors and other payables	24	10,697	11,081
Borrowings:			
- secured loans	25	153,006	174,505
Total financial liabilities at amortised cost		163,703	185,586

42 Te Tumu financial instrument

Tauranga City Council (TCC) and Western Bay of Plenty District Council (Western Bay) together acquired a block of land at Papamoa referred to as Te Tumu. This land was purchased with the condition of providing the vendor the option to acquire it sometime from December 2016 to December 2026 repaying the loan and interest to TCC/Western Bay. The rationale for TCC/Western Bay purchasing the land was to ensure development of this land was consistent with SmartGrowth initiatives. Neither council intends to be the developer of this land or retain ownership in the long-term.

With this purchase of the land, the vendor has the right to use the land in its undeveloped state until December 2016. This gives rise to the creation of a financial asset which is available for sale whereby TCC/Western Bay have a right to receive cash if the vendor exercises their option to repurchase the property. The initial impairment of the loan is recognised as the amount payable to Council for the right to use the land in its undeveloped state, which in turn creates a "Property Subdivision Right" asset. The asset is recognised as an intangible asset and amortised over the period the vendor is expected to exercise their option to repurchase the property.

The sale/purchase agreement for the land includes a number of restrictions/obligations upon both the vendor and TCC/Western Bay. The sale/purchase agreement also provides the vendor rights to acquire the land from TCC/Western Bay, initially in December 2016 and then annually until December 2026 by repaying the loan and interest.

43 Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- ▶ Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets.
- ▶ Valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- ▶ Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Valuation Technique			
	Total	Quoted market price	Observable inputs	Significant non-observable inputs
	\$000	\$000	\$000	\$000
30 June 2014				
Financial assets				
Local authority stock	31	31		
Shares	20	20		
Te Tumu investment	1,141			1,141
New Zealand Local Government Funding Agency	2,986		2,986	
Financial liabilities				
Derivatives	3,831	3,831		
30 June 2013				
Financial assets				
Local authority stock	33	33		
Shares	9	9		
Te Tumu investment	2,480			2,480
New Zealand Local Government Funding Agency	2,986		2,986	
Financial liabilities				
Derivatives	7,626	7,626		

There were no transfers between the different levels of the fair value hierarchy.

43 Fair value hierarchy disclosures (continued)

Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	\$'000	\$'000
	2014	2013
Balance at 1 July	2,480	1,986
Gains/(losses) recognised in surplus and deficit	(1,340)	494
Balance at 30 June	1,140	2,480

44 Financial instrument risks

Western Bay has a series of policies to manage the risks associated with financial instruments. Western Bay is risk averse and seeks to minimise exposure from its treasury activities. Western Bay has established Council approved liability management and investment policies. These policies do not allow any transactions to be entered into that are speculative in nature.

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Western Bay is exposed to equity securities price risk on its investments. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of Western Bay's investment portfolio in accordance with the limits set out in Western Bay's investment policy.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Council purchases plant and equipment associated with the construction of certain infrastructural assets from overseas, which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is the Council's policy to manage foreign currency risks arising from contractual commitments and liabilities that are above \$15,000 by entering into forward foreign exchange contracts to manage the foreign currency risk exposure. This means the Council is able to fix the New Zealand dollar amount payable prior to delivery of the plant and equipment from overseas.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose the Western Bay to fair value interest rate risk. Western Bay's liability management policy is to maintain between 50% and 95% of its borrowings in fixed rate instruments. Interest rate swaps are entered into to hedge the fair value interest rate risk arising from Western Bay's borrowings to ensure they remain within these limits.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Western Bay to cash flow interest rate risk.

Generally, Western Bay raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if Western Bay borrowed at fixed rates directly. Under the interest rate swaps, Western Bay agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Western Bay, causing Western Bay to incur a loss. Due to the timing of its cash inflows and outflows, Western Bay invests surplus cash into term deposits and local authority stock which gives rise to credit risk.

44 Financial instrument risks (continued)

Western Bay's investment policy limits the amount of credit exposure to any one financial institution or organisation. Investments in other Local Authorities are secured by charges over rates. Other than other local authorities, the Council only invests funds with entities that have a Standard and Poor's or Moody's credit rating of A- or above for long-term investments.

Western Bay has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

Western Bay's maximum credit exposure for each class of financial instrument is as follows:

	\$'000 2014	\$'000 2013
Cash at bank and term deposits	21,033	34,482
Debtors and other receivables	7,575	8,251
Local authority and government stock	51	42
New Zealand Local Government Funding Agency	2,986	2,986
Derivative financial instrument assets	(3,831)	(7,626)
Financial instruments	1,141	2,480
Total credit risk	28,956	40,615

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

	\$'000 2014	\$'000 2013
Counterparties with credit ratings		
Cash at bank and term deposits:		
A-1+	21,033	34,482
Total cash at bank and term deposits	21,033	34,482
Local authority and government stock:		
AA+	2,986	2,986
A	31	33
Total local authority and government stock	3,017	3,019
Derivative financial instrument assets:		
AA	-	-
Total derivative financial instrument assets	-	-
Financial instrument assets		
No rating	1,141	2,480
Total derivative financial instrument assets	1,141	2,480
Counterparties without credit ratings		
Existing community and related party loans with no defaults in the past	20	9
Total counterparties without credit ratings	20	9

Debtors and other receivables mainly arise from Western Bay's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Western Bay has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers and Western Bay has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that Western Bay will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Western Bay aims to maintain flexibility in funding by keeping committed credit lines available.

Western Bay manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy. These policies have been adopted as part of the Western Bay's Long Term Plan. Western Bay has a maximum amount that can be drawn down against its overdraft facility of \$600,000 (2013: \$600,000). There are no restrictions on the use of this facility.

Contractual maturity analysis of financial liabilities

The table below analyses Western Bay's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Council 2014						
Creditors and other payables	10,697	10,697	10,697	-	-	-
Net settled derivative liabilities	3,831	4,188	344	81	1,778	1,985
Secured loans	153,006	185,601	25,596	16,215	119,412	24,378
Total	167,534	200,486	36,637	16,296	121,190	26,363
Council 2013						
Creditors and other payables	11,081	11,081	11,081	-	-	-
Net settled derivative liabilities	7,626	8,445	1,159	19	2,083	5,184
Secured loans	174,505	195,541	45,916	22,695	101,347	25,583
Total	193,212	215,067	58,156	22,714	103,430	30,767

Contractual maturity analysis of financial assets

The table below analyses Western Bay's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Council 2014						
Cash and cash equivalents	21,033	21,139	21,139	-	-	-
Debtors and other receivables	7,575	7,470	7,470	-	-	-
Net settled financial instruments	1,141	19,996	-	-	-	19,996
Other financial assets:						
- Term deposits with original maturities of greater than 3 months and remaining maturities of less than 12 months	-	-	-	-	-	-
- Local authority and government stock	3,017	-	-	-	-	3,017
Total	32,767	48,605	28,609	-	-	23,013
Council 2013						
Cash and cash equivalents	9,482	9,482	9,482	-	-	-
Debtors and other receivables	8,251	8,251	8,251	-	-	-
Net settled financial instruments	2,480	19,996	-	-	-	19,996
Other financial assets:						
- Term deposits with original maturities of greater than 3 months and remaining maturities of less than 12 months	25,000	26,079	26,079	-	-	-
- local authority and government stock	3,028	-	-	-	-	2,863
Total	48,241	63,808	43,812	-	-	22,859

Sensitivity analysis

The tables below illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on Western Bay's financial instrument exposures at the balance date.

Interest Rate Risk	Note	2014 \$'000				2013 \$'000			
		Profit	- 100bps Other Equity	Profit	+ 100bps Other Equity	Profit	- 100bps Other Equity	Profit	+ 100b Other Equity
Financial assets									
Cash and cash equivalents	1	(211)		211		(95)		95	
Financial instruments	2	(11)		11		(25)		25	
Other financial assets:									
- Term Deposits	3	-		-		-		-	
- Local authority stock	4		(11)		11		(11)		11
Financial liabilities									
Derivatives - interest rate swaps	5	(5,800)		5,448		(5,656)		4,874	
Borrowings:									
Debentures	6	1,230		(1,230)		1,570		(1,570)	
Total sensitivity to interest rate risk		(4,792)	(11)	4,440	11	(4,206)	(11)	3,424	11
		Profit	-10% Other Equity	Profit	+10% Other Equity	Profit	-10% Other Equity	Profit	+10% Other Equity
Equity Price Risk									
Financial assets									
Other financial assets:									
- quoted share investments			(2)		2		(1)		1
Total sensitivity to equity price risk			(2)		2		(1)		1

Explanation of sensitivity analysis

1 Cash and cash equivalents

Cash and cash equivalents include deposits on call totalling \$21,033,358 (2013: \$9,481,516) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$210,333 (2013: \$94,815).

Derivatives

2 Financial instruments

Financial instruments include Te Tumu land purchase totalling \$1.14m (2013: \$2.48m). A movement in interest rates of 1.0% has an effect of \$11,410 (2013: \$24,800) on the unrealised value of the financial instruments.

3 Term Deposits

Council has no term deposits with maturities greater than three months at balance date.

4 Financial liabilities

Derivative financial assets not hedge accounted includes interest rate swaps with a fair value totalling \$3.83m (2012: \$7.63m). A movement in interest rates of plus 1.0 % has an effect of reducing the swap deficit value by \$5.80m (2013: \$5.66m). A movement in interest rates of minus 1.0% has an effect of increasing the swap deficit value by \$5.45m (2013: \$4.87m).

5 Local authority stock

A total of \$1,151,000 (2012: \$1,153,000) of investments in local authority stock are classified at fair value through equity. A movement in interest rates of plus or minus 1.0% has an effect of \$11,510 (2013: \$11,530) on the fair value through other comprehensive income reserve.

6 Debentures - secured loans

Council has floating rate debt with a principal amount totalling \$123.03 million (2013: \$157.51m).

A movement in interest rates of plus or minus 1.0% has an effect on interest expense of \$1,230,000 (2013: \$1,570,000). A movement in market interest rates on fixed rate debt does not have any impact because secured loans are accounted for at amortised cost using the effective interest method.

7 Listed shares

Western Bay holds equity instruments in Zespri Group Limited valued at \$20,000 (2013: \$9,000), these are not publicly traded. If there was a movement of plus or minus 10% in the share price the effect would be a movement in the fair value through other comprehensive income reserve of \$2,000 (2013: \$900).

Creditors and other payables

Trade payables do not include any foreign currency denominated payables in relation to plant and equipment purchases. Therefore there is no currency price risk and no movement under sensitivity analysis.

45 Capital management

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for all major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the LTP.

Western Bay has the following Council created reserves:

- ▶ reserves for different areas of benefit;
- ▶ self-insurance reserves; and
- ▶ trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can only be approved by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose for which they were donated.

46 Explanation of major variances

Explanations for major variations from Western Bay's estimated figures in the 2013/2014 Annual Plan and 2014 actuals are as follows:

Statement of Comprehensive Income

Actual 2014 surplus of \$6.124 million versus 2014 budget surplus of \$4.796 million. A favourable variance of \$1.328 million.

The major contributors to the variance were:

Total operating revenue was \$5.477 million over budget.

	\$'000
Revenue variances positive / (negative):	
¹ Fees and charges from activities including targeted rates for water supply	1,159
² Rates excluding targeted rates for water supply	1,014
³ Financial contributions received	(1,261)
⁴ Finance income	(1,369)
⁵ Vested assets (non cash)	4,909
⁶ Subsidies and grants	(641)
⁷ Gains (non cash)	1,283
⁸ Other revenue	383
	5,477

Total operating expenditure was \$4.493 million over budget

	\$'000
Expenditure positive / (negative):	
⁹ Other expenses	1,938
¹⁰ Personnel costs	(14)
¹¹ Depreciation and amortisation	834
¹² Finance costs	(157)
¹³ Impairment expense	1,892
	4,493

¹Fees and charges from activities including targeted rates for water supply of \$8.270m were \$1.159m higher than the budget of \$7.111m. This was due to increased water by meter income of \$0.30m as new meters were installed as part of Council's District-wide water metering project. Application fees income being \$0.40m ahead of budget due to higher consent volumes. Forestry harvesting income of \$0.26m, grant income of \$0.08, election costs recoveries of \$0.08m.

²Rate income of \$54.017m is \$1.01 higher than the \$53.003m budget. This is due to lump sum payments for the Waihi Beach rock revetment and rating penalties being higher than budgeted for.

³Vested assets income of \$0.979m is \$1.26m 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.

⁴Financial contribution revenue of \$4.177m is \$1.37m lower than the \$5.546m budget due to lower than expected subdivision.

⁵Finance income of \$5.870 is \$4.91m higher than the \$0.961m budget. This is due to the \$3.80m upwards revaluation of Council's interest rate swap portfolio, this income is non-cash and higher than forecast deposit interest income.

⁶Subsidies and grants income of \$7.486m was \$0.64m lower than forecast of \$8.127m due to lower transportation capital expenditure.

⁷Gains income of \$1.283m relates to the increase in value of Council owned forestry assets at the TECT All Terrain Park, Waihi Beach and Matakana Island. This income is non-cash.

⁸Other revenue of \$1.807m is \$0.38m higher than the budget of \$1.424m. This is due to additional rental income on council owned property.

⁹Other expenses of \$35.266m were \$1.98m higher than the \$32.328m budget. This variance is the result of the PBC roading contract, which pays a lump sum per annum for all capital and operational costs. The 2013/14 year saw higher operation costs than capital costs.

¹⁰Personnel costs of \$13.009m were \$0.01m lower than the \$13.023m budget, due to savings made in staff replacement costs.

46 Explanation of major variances (continued)

¹¹Depreciation and amortisation costs of \$18.154m were \$0.83m higher than the budget of \$17.320m. This is due to an increase in the valuation of coastal and marine assets.

¹²Finance costs of \$9.789m were \$0.16m lower than the budget of \$9.946m. This is due to Council having a lower external debt than forecast for much of the year and the effect of lower interest rate margins being received from the New Zealand Local Government Funding Agency Limited.

¹³Council recognised an impairment cost of \$1.892m during the year. This relates to the valuation of the Te Tumu land. The impairment was made to reverse the accumulated interest income and restate the land back to market value.

Statement of Financial Position

Actual net equity of \$973.188 million versus \$977.702 million in 2013.

There was an decrease in overall net equity from actual 2013 of \$5.017 million. The majority of this movement was due to:

	\$'000
Increase in cash held at year end	11,551
Decrease in debtors and prepayments	(433)
Increase in non-current assets held for sale	300
Decrease in investments and financial assets	(25,976)
Increase in forestry asset	1,211
Decrease in intangible assets	(299)
Decrease in property plant and equipment	(14,037)
	(27,683)
Decrease in debt for the year	18,502
Decrease in interest rate swap liability	3,795
Decrease in creditors and other payables	887
Increase in other liabilities	(15)
	23,169
Net movement	(4,514)

The major variances to budget were:

- ▶ Property, plant and equipment was \$59.5m lower than forecast. This was due to asset values decreasing as a result of valuations and lower capital expenditure than forecast.
- ▶ Debtors and other receivables reduced by \$1.2m due to the settlement of deferred financial contributions.
- ▶ Borrowings were \$18.5m lower than 2012/13 due to the timing of debt maturities. This was offset by the \$25.0m term deposit held in 2012/13 being used to reduce debt.
- ▶ Councils unrealised interest rate swaps liability of \$3.8m was \$3.8m lower than the balance in 2012/13. This was due to higher interest rates at balance date.

Statement of Cash flows

2014 actual movement was a net increase in cash held of \$11.552m versus a budgeted net decrease of \$2.772m and actual 2013 net decrease in cash held \$1.752m.

Net cash flows from operating activities of \$20.301m versus \$19.430m budget and 2013 actual of \$20.261m.

This favourable variance to budget is due to higher receipts from rates and interest income.

Net cash flows from investing activities of \$9.753m versus (\$20.702)m budget and 2013 actual of (\$41.069)m.

The majority of this positive variance can be attributed to Council's \$25.00m term deposit maturing during the year and being transferred to cash.

Net cash flows from financing activities of (\$18.502)m versus (\$1.500m) budget and 2013 actual of \$18.997m.

This reflects Council's reduction in debt during the year. Less debt refinancing was required due to a slower than forecast capital works programme.

Other legislative disclosures

Summary Funding Impact Statement

Western Bay of Plenty District Council

For the years ended 30 June	Actual	Annual	Actual	Annual
	\$'000 2014	Plan \$'000 2014	\$'000 2013	Plan \$'000 2013
Sources of operating funding				
General rates, uniform annual charges, rates penalties	18,349	17,988	16,954	17,688
Targeted rates (other than a targeted rate for water supply)	32,396	31,497	30,135	29,480
Subsidies and grants for operating purposes	3,675	4,481	2,913	4,637
Fees, charges and targeted rates for water supply	9,723	9,426	8,876	8,723
Interest and dividends from investments	233	100	109	55
Local authority and fuel tax, fines, infringement fees, and other receipts	5,170	3,403	5,754	3,305
Total operating funding	(A) 69,546	66,715	64,741	63,888
Applications of operating funding				
Payments to staff and suppliers	49,877	46,168	47,806	44,525
Finance costs	9,789	9,946	9,497	10,000
Other operating funding applications	1,892	183	83	25
Total applications of operating funding	(B) 61,558	56,297	57,386	54,550
Operating funding - surplus/(deficit)	(A-B) 7,987	10,418	7,355	9,338
Sources of capital funding				
Subsidies and grants for capital expenditure	4,118	3,911	4,118	3,551
Financial contributions	4,177	5,546	4,833	5,550
Increase/(decrease) in debt	(656)	(1,201)	3,698	4,000
Gross proceeds from sale of assets	800	85	1,145	85
Lump sum contributions	-	-	156	-
Other dedicated capital funding	-	-	-	-
Total Sources of capital funding	(C) 8,439	8,341	13,950	13,186
Applications of capital funding				
Capital expenditure				
• to meet additional demand	2,013	2,928	3,389	4,376
• to improve the level of service	4,139	5,926	3,884	3,788
• to replace existing assets	9,122	12,099	7,852	12,130
Increase/(decrease) in reserves	1,522	(2,193)	5,913	2,230
Increase/(decrease) in investments	(370)	-	266	-
Total applications of capital funding	(D) 16,426	18,760	21,304	22,524
Capital funding - surplus/(deficit)	(C-D) (7,987)	(10,418)	(7,355)	(9,338)
Funding balance	((A-B) + (C-D))	-	-	-

Reconciliation of Summary Funding Impact Statement to Statements of Comprehensive Income

Western Bay of Plenty District Council

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Operating funding per Funding Impact Statement	69,546	68,100	63,888
Add: Subsidies and grants for capital expenditure	4,118	4,118	3,551
Swap revaluation movement	3,796	-	-
Financial contributions	4,177	6,296	5,550
Lump sum contributions	-	156	-
Revaluation adjustments	1,283	-	-
Total	82,920	78,671	72,989
Total Revenue per Statement of Comprehensive Income	83,889	80,986	75,229
Less: Loss on shares adjustment	(10)	-	-
Less: Vested Assets	979	2,315	2,240
Less: Gains	-	-	-
Total	82,920	78,671	72,989
Variance	-	-	-
Application of operating funding per Funding Impact Statement	61,558	56,381	54,550
Total expenditure per Statement of Comprehensive Income	78,110	73,770	70,986
Less depreciation and amortisation	18,154	17,388	16,438
Less revaluation movement	-	-	-
Less unrealised hedging movement	-	-	-
Less asset impairment	(1,892)	-	-
Less other adjustments	290	-	-
	61,558	56,381	54,550
Variance	-	-	-
Net variance	-	-	-

Other legislative disclosures

Funding Impact Statement

Representation

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	2,603	2,514	2,524
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	434	469	489
Local authority and fuel tax, fines, infringement fees, and other receipts	92	58	55
Total operating funding	(A) 3,129	3,041	3,068
Applications of operating funding			
Payments to staff and suppliers	1,647	1,450	1,445
Finance costs	(49)	-	-
Internal charges and overheads applied	1,370	1,343	1,542
Other operating funding applications	-	189	25
Total applications of operating funding	(B) 2,967	2,981	3,012
Operating funding - surplus/(deficit)	(A-B) 162	60	56
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	4	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(C) 4	-	-
Applications of capital funding			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve the level of service	-	-	-
• to replace existing assets	-	-	-
Increase/(decrease) in reserves	166	60	56
Increase/(decrease) in investments	-	-	-
Total applications of capital funding	(D) 166	60	56
Capital funding - surplus/(deficit)	(C-D) (162)	(60)	(56)
Funding balance	((A-B) + (C-D)) -	-	-

Other legislative disclosures

Funding Impact Statement

Planning for the future

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	2,083	2,110	2,283
Targeted rates (other than a targeted rate for water supply)	14	-	-
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authority and fuel tax, fines, infringement fees, and other receipts	48	69	65
Total operating funding	(A) 2,144	2,179	2,348
Applications of operating funding			
Payments to staff and suppliers	1,193	1,370	1,519
Finance costs	(23)	-	-
Internal charges and overheads applied	693	765	758
Other operating funding applications	-	-	-
Total applications of operating funding	(B) 1,863	2,136	2,277
Operating funding - surplus/(deficit)	(A-B) 281	43	71
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	-	31	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(C) -	31	-
Applications of capital funding			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve the level of service	-	-	-
• to replace existing assets	-	-	-
Increase/(decrease) in reserves	281	74	71
Increase/(decrease) in investments	-	-	-
Total applications of capital funding	(D) 281	74	71
Capital funding - surplus/(deficit)	(C-D) (281)	(43)	(71)
Funding balance	((A-B) + (C-D)) -	-	-

Other legislative disclosures

Funding Impact Statement

Communities

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	2,632	2,358	2,359
Targeted rates (other than a targeted rate for water supply)	1,598	1,904	1,411
Subsidies and grants for operating purposes	33	15	264
Fees, charges and targeted rates for water supply	72	74	72
Internal charges and overheads recovered	704	698	673
Local authority and fuel tax, fines, infringement fees, and other receipts	739	881	846
Total operating funding (A)	5,779	5,930	5,625
Applications of operating funding			
Payments to staff and suppliers	3,039	2,896	2,853
Finance costs	(70)	32	32
Internal charges and overheads applied	1,999	2,070	1,988
Other operating funding applications	-	-	-
Total applications of operating funding (B)	4,968	4,998	4,873
Operating funding - surplus/(deficit) (A-B)	811	932	752
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	-	30	29
Increase/(decrease) in debt	262	(19)	(21)
Gross proceeds from sale of assets	(7)	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	255	11	8
Applications of capital funding			
Capital expenditure			
• to meet additional demand	291	309	635
• to improve the level of service	-	-	250
• to replace existing assets	336	412	288
Increase/(decrease) in reserves	439	221	(413)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	1,066	942	760
Capital funding - surplus/(deficit) (C-D)	(811)	(931)	(752)
Funding balance ((A-B) + (C-D))	-	-	-

Other legislative disclosures

Funding Impact Statement

Recreation and leisure

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	4,297	4,442	4,521
Targeted rates (other than a targeted rate for water supply)	193	68	66
Subsidies and grants for operating purposes	274	365	355
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	894	902	884
Local authority and fuel tax, fines, infringement fees, and other receipts	763	703	658
Total operating funding (A)	6,422	6,480	6,484
Applications of operating funding			
Payments to staff and suppliers	3,509	3,168	3,246
Finance costs	225	386	370
Internal charges and overheads applied	1,666	1,624	1,581
Other operating funding applications	-	-	-
Total applications of operating funding (B)	5,401	5,178	5,197
Operating funding - surplus/(deficit) (A-B)	1,021	1,302	1,287
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	1,327	1,755	1,605
Increase/(decrease) in debt	(5)	(49)	(59)
Gross proceeds from sale of assets	400	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	1,721	1,706	1,546
Applications of capital funding			
Capital expenditure			
• to meet additional demand	233	1,139	981
• to improve the level of service	268	126	76
• to replace existing assets	462	496	1,274
Increase/(decrease) in reserves	1,780	1,247	501
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	2,743	3,008	2,832
Capital funding - surplus/(deficit) (C-D)	(1,021)	(1,302)	(1,287)
Funding balance ((A-B) + (C-D))	-	-	-

Other legislative disclosures

Funding Impact Statement

Regulatory services

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	1,683	1,578	1,639
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	3,522	3,176	2,959
Internal charges and overheads recovered	-	-	-
Local authority and fuel tax, fines, infringement fees, and other receipts	50	31	31
Total operating funding	(A) 5,254	4,786	4,629
Applications of operating funding			
Payments to staff and suppliers	2,821	3,096	3,010
Finance costs	16	(7)	(5)
Internal charges and overheads applied	1,571	1,499	1,421
Other operating funding applications	-	-	-
Total applications of operating funding	(B) 4,409	4,587	4,426
Operating funding - surplus/(deficit)	(A-B) 845	199	203
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	-	-	-
Increase/(decrease) in debt	(16)	-	-
Gross proceeds from sale of assets	(20)	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(C) (36)	-	-
Applications of capital funding			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve the level of service	-	-	-
• to replace existing assets	-	-	-
Increase/(decrease) in reserves	809	199	203
Increase/(decrease) in investments	-	-	-
Total applications of capital funding	(D) 809	199	203
Capital funding - surplus/(deficit)	(C-D) (845)	(199)	(203)
Funding balance	((A-B) + (C-D)) -	-	-

Other legislative disclosures

Funding Impact Statement

Transportation

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	14,087	14,486	13,209
Subsidies and grants for operating purposes	3,234	4,086	3,888
Fees, charges and targeted rates for water supply	9	1	1
Internal charges and overheads recovered	-	-	-
Local authority and fuel tax, fines, infringement fees, and other receipts	160	116	111
Total operating funding (A)	17,490	18,689	17,209
Applications of operating funding			
Payments to staff and suppliers	12,825	11,167	10,494
Finance costs	1,281	1,925	1,787
Internal charges and overheads applied	1,182	1,390	1,339
Other operating funding applications	-	-	-
Total applications of operating funding (B)	15,288	14,481	13,619
Operating funding - surplus/(deficit) (A-B)	2,202	4,208	3,590
Sources of capital funding			
Subsidies and grants for capital expenditure	4,118	4,118	3,551
Financial contributions	1,420	1,822	1,906
Increase/(decrease) in debt	248	(324)	(295)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	5,786	5,615	5,162
Applications of capital funding			
Capital expenditure			
• to meet additional demand	-	309	2,136
• to improve the level of service	2,986	2,775	2,171
• to replace existing assets	4,985	8,005	6,519
Increase/(decrease) in reserves	17	(1,266)	(2,074)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	7,988	9,823	8,752
Capital funding - surplus/(deficit) (C-D)	(2,202)	(4,208)	(3,590)
Funding balance ((A-B) + (C-D))	-	-	-

Other legislative disclosures

Funding Impact Statement

Water supply

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	2,738	2,555	2,323
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	6,052	6,095	5,626
Internal charges and overheads recovered	-	-	-
Local authority and fuel tax, fines, infringement fees, and other receipts	154	-	-
Total operating funding	(A) 8,945	8,650	7,949
Applications of operating funding			
Payments to staff and suppliers	3,950	3,729	3,604
Finance costs	1,683	1,747	1,643
Internal charges and overheads applied	1,463	1,635	1,579
Other operating funding applications	-	-	-
Total applications of operating funding	(B) 7,096	7,111	6,825
Operating funding - surplus/(deficit)	(A-B) 1,849	1,539	1,124
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	542	695	540
Increase/(decrease) in debt	(763)	652	(38)
Gross proceeds from sale of assets	169	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(C) (53)	1,347	502
Applications of capital funding			
Capital expenditure			
• to meet additional demand	142	269	360
• to improve the level of service	492	651	342
• to replace existing assets	1,162	1,948	1,429
Increase/(decrease) in reserves	-	17	(506)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding	(D) 1,796	2,885	1,626
Capital funding - surplus/(deficit)	(C-D) (1,849)	(1,538)	(1,124)
Funding balance	((A-B) + (C-D)) -	-	-

Other legislative disclosures

Funding Impact Statement

Stormwater

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	772	159	148
Targeted rates (other than a targeted rate for water supply)	2,505	2,537	2,301
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authority and fuel tax, fines, infringement fees, and other receipts	2	10	9
Total operating funding (A)	3,280	2,706	2,458
Applications of operating funding			
Payments to staff and suppliers	634	525	536
Finance costs	1,763	1,736	1,620
Internal charges and overheads applied	549	603	586
Other operating funding applications	-	-	-
Total applications of operating funding (B)	2,945	2,864	2,742
Operating funding - surplus/(deficit) (A-B)	335	(158)	(284)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	191	658	563
Increase/(decrease) in debt	333	(128)	65
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	524	530	628
Applications of capital funding			
Capital expenditure			
• to meet additional demand	482	-	-
• to improve the level of service	295	440	736
• to replace existing assets	82	78	139
Increase/(decrease) in reserves	-	(146)	(531)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	859	372	344
Capital funding - surplus/(deficit) (C-D)	(335)	158	284
Funding balance ((A-B) + (C-D))	-	-	-

Other legislative disclosures

Funding Impact Statement

Natural environment

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	133	125	121
Targeted rates (other than a targeted rate for water supply)	15	15	15
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authority and fuel tax, fines, infringement fees, and other receipts	-	48	45
Total operating funding	(A) 148	188	181
Applications of operating funding			
Payments to staff and suppliers	356	298	281
Finance costs	-	-	-
Internal charges and overheads applied	34	34	32
Other operating funding applications	-	-	-
Total applications of operating funding	(B) 390	332	313
Operating funding - surplus/(deficit)	(A-B) (242)	(144)	(132)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	93	112	98
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(C) 93	112	98
Applications of capital funding			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve the level of service	-	-	-
• to replace existing assets	-	-	-
Increase/(decrease) in reserves	(149)	(32)	(34)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding	(D) (149)	(32)	(34)
Capital funding - surplus/(deficit)	(C-D) 242	144	132
Funding balance	((A-B) + (C-D)) -	-	-

Other legislative disclosures

Funding Impact Statement

Wastewater

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	903	346	315
Targeted rates (other than a targeted rate for water supply)	8,347	8,320	7,562
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	1	2	2
Internal charges and overheads recovered	-	-	-
Local authority and fuel tax, fines, infringement fees, and other receipts	50	194	180
Total operating funding (A)	9,301	8,862	8,059
Applications of operating funding			
Payments to staff and suppliers	3,096	2,913	2,798
Finance costs	3,940	4,307	4,098
Internal charges and overheads applied	1,262	1,454	1,392
Other operating funding applications	-	-	-
Total applications of operating funding (B)	8,297	8,674	8,288
Operating funding - surplus/(deficit) (A-B)	1,003	188	(229)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	604	1,193	808
Increase/(decrease) in debt	(444)	(272)	(706)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	156	-
Other dedicated capital funding	-	-	-
Total Sources of capital funding (C)	160	1,077	102
Applications of capital funding			
Capital expenditure			
• to meet additional demand	62	1,043	-
• to improve the level of service	98	356	213
• to replace existing assets	1,004	789	1,254
Increase/(decrease) in reserves	-	(923)	(1,595)
Increase/(decrease) in investments	-	-	-
Total applications of capital funding (D)	1,164	1,265	(128)
Capital funding - surplus/(deficit) (C-D)	(1,004)	(188)	229
Funding balance ((A-B) + (C-D))	-	-	-

Other legislative disclosures

Funding Impact Statement

Solid waste

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	273	561	537
Targeted rates (other than a targeted rate for water supply)	973	926	843
Subsidies and grants for operating purposes	134	135	130
Fees, charges and targeted rates for water supply	67	67	63
Internal charges and overheads recovered	-	-	-
Local authority and fuel tax, fines, infringement fees, and other receipts	45	21	20
Total operating funding	(A) 1,491	1,710	1,593
Applications of operating funding			
Payments to staff and suppliers	543	1,031	987
Finance costs	81	85	88
Internal charges and overheads applied	429	465	452
Other operating funding applications	-	-	-
Total applications of operating funding	(B) 1,053	1,581	1,527
Operating funding - surplus/(deficit)	(A-B) 438	129	66
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	-	-	-
Increase/(decrease) in debt	(377)	(13)	(4)
Gross proceeds from sale of assets	(1)	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(C) (378)	(13)	(4)
Applications of capital funding			
Capital expenditure			
• to meet additional demand	57	-	-
• to improve the level of service	-	-	-
• to replace existing assets	-	-	-
Increase/(decrease) in reserves	2	116	62
Increase/(decrease) in investments	-	-	-
Total applications of capital funding	(D) 59	116	62
Capital funding - surplus/(deficit)	(C-D) (437)	(129)	(66)
Funding balance	((A-B) + (C-D)) -	-	-

Other legislative disclosures

Funding Impact Statement

Economic

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	928	864	832
Targeted rates (other than a targeted rate for water supply)	513	511	495
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authority and fuel tax, fines, infringement fees, and other receipts	88	19	18
Total operating funding	(A) 1,529	1,394	1,345
Applications of operating funding			
Payments to staff and suppliers	1,441	935	907
Finance costs	(112)	33	30
Internal charges and overheads applied	126	117	110
Other operating funding applications	-	-	-
Total applications of operating funding	(B) 1,454	1,085	1,047
Operating funding - surplus/(deficit)	(A-B) 75	309	298
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	-	-	-
Increase/(decrease) in debt	(346)	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(C) (346)	-	-
Applications of capital funding			
Capital expenditure			
• to meet additional demand	746	273	264
• to improve the level of service	-	-	-
• to replace existing assets	-	-	-
Increase/(decrease) in reserves	(672)	36	34
Increase/(decrease) in investments	(345)	-	-
Total applications of capital funding	(D) (271)	309	298
Capital funding - surplus/(deficit)	(C-D) (74)	(309)	(298)
Funding balance	((A-B) + (C-D)) -	-	-

Other legislative disclosures

Funding Impact Statement

Support services

For the years ended 30 June	Actual \$'000 2014	LTP \$'000 2014	LTP \$'000 2013
Sources of operating funding			
General rates, uniform annual charges, rates penalties	2,042	2,880	2,409
Targeted rates (other than a targeted rate for water supply)	1,412	1,296	1,256
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	12,203	12,908	12,704
Local authority and fuel tax, fines, infringement fees, and other receipts	3,211	12,742	12,055
Total operating funding	(A) 18,869	29,826	28,424
Applications of operating funding			
Payments to staff and suppliers	14,823	13,402	12,928
Finance costs	1,056	11,419	11,069
Internal charges and overheads applied	1,865	1,891	1,887
Other operating funding applications	1,892	-	-
Total applications of operating funding	(B) 19,636	26,712	25,884
Operating funding - surplus/(deficit)	(A-B) (767)	3,114	2,540
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Financial contributions	-	-	-
Increase/(decrease) in debt	453	(92)	(85)
Gross proceeds from sale of assets	255	88	85
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(C) 708	(4)	-
Applications of capital funding			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve the level of service	-	-	-
• to replace existing assets	1,091	1,527	1,227
Increase/(decrease) in reserves	(1,151)	1,583	1,313
Increase/(decrease) in investments	-	-	-
Total applications of capital funding	(D) (60)	3,110	2,540
Capital funding - surplus/(deficit)	(C-D) 768	(3,114)	(2,540)
Funding balance	((A-B) + (C-D)) -	-	-