



# ANNUAL REPORT 2013/2014

## SUMMARY



## Disclaimer

The specific disclosures in this financial summary report have been extracted from the full financial report dated 25 September 2014. It has been prepared in accordance with FRS 43: Summary Financial Reports.

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

The summary has been examined by the auditor for consistency with the full financial report and audited by Audit New Zealand on behalf of the Office of the Auditor-General. An unqualified audit opinion was issued on 25 September 2014.

A copy of the Western Bay of Plenty District Council 2013/2014 Annual Report is available from Council's Head Office, Barkes Corner, Greerton, Tauranga or Council's website at [www.westernbay.govt.nz](http://www.westernbay.govt.nz)

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# The Mayor's Report

## Western Bay of Plenty District Council

### 2013/2014 Annual Report Foreword by the Mayor



**Ross Paterson**  
Mayor

Council has come through the 2013/14 financial year in a sound position.

Total external debt has reduced from \$175.51 million in 2012/13 to \$156.00 million this year. Net external debt has also reduced from \$140.02 million in 2012/13 to \$134.97 million in 2013/14.

This highlights our focus on managing debt in a prudent manner. We also continue to receive competitive interest rates from the New Zealand Local Government Funding Agency which is helping to keep our total interest bill down.

Growth has continued to challenge us financially.

Last year we had anticipated that development growth would continue to be sluggish – a hangover from the global financial crisis. For that reason we revised our growth forecast down from 1.0% to 0.9% for the 2013/14 year.

Growth-funded financial contributions (payments made by developers for subdivision) for the year under review were \$1.37 million lower than expected. This shortfall has been offset partially by the steps we took in the 2012-22 Long Term Plan to introduce the interest recovery rate. Council is continuing with the allocation of \$700,000 from the General Rate and \$300,000 from the Rooding Rate to ensure interest costs on growth-related debt is met in the short term.

We are also working closely with Central Government to provide special housing areas through a Housing Accord. Under this agreement we aim to increase the number of new homes in the District by 175 additional houses over the next two years.

Omokoroa has been identified as the first area for special housing development as there are potential residential areas where infrastructure and commercial development is already in place and where changes can take affect to complement the existing market.

The Accord enables Council to fast-track changes without having to go through the standard Resource Management Act process. We will also be looking at the possibility of other special housing areas in Katikati and Te Puke, where affordable residential development can occur under the Accord.

The Accord supports our sub-regional growth management strategy SmartGrowth. SmartGrowth continues to be a benefit for the Western Bay as well as for Central Government as we already have settlement patterns planned for the future and infrastructural development under way.

During the year work also progressed to change Council's charging structure for water and wastewater. This work has resulted in a single charge for the District's wastewater schemes and a single charge for the Western Bay's three water schemes.

The rationale behind this is that the service provided to each ratepayer for water and wastewater is the same, irrespective of where their property lies. A move to a single charge also means that future rates spikes for upgrades will be absorbed across all those people being serviced by the schemes.

The charges will be phased in over three years to reduce the impact on the affected ratepayers, many of whom are on fixed incomes.

Council's partnership with Tauranga City Council and the Bay of Plenty Regional Council continues to ensure that the region's recreational and leisure assets are well maintained and enhanced.

The TECT (Tauranga Energy Consumer Trust) All Terrain Park continues to go from strength to strength under the stewardship of a professional management structure and through the commitment of the various user groups. The Park's most recent success in being awarded the internationally recognised Green Flag award is testament to this.

2013/14 also marked Council receiving a Gold Award by the New Zealand Business Excellence Foundation. The Gold added to our silver award in 2009 and is further validation of our continuous improvement philosophy across all parts of our organisation.

In summary, the Western Bay of Plenty District Council remains in good stead financially and operationally with a committed and loyal staff.

We continue to have an open mind on any future local government structure for the Bay of Plenty and remain determined to ensure our communities are brought into the debate on our future.

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

A united workforce, strong governance and a realistic plan for the future are keys to successful outcomes.



**Ross Paterson**  
**Mayor**  
**Western Bay of Plenty District**

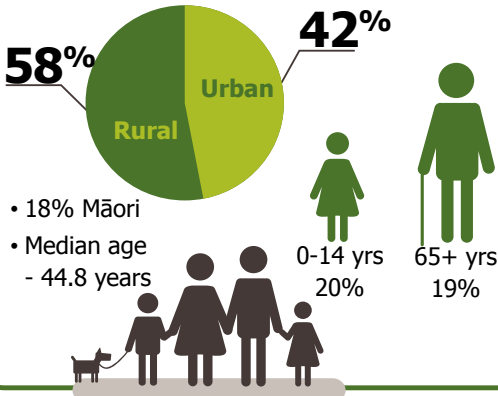


## Council at a glance - key facts

### OUR PEOPLE



Population 43,695



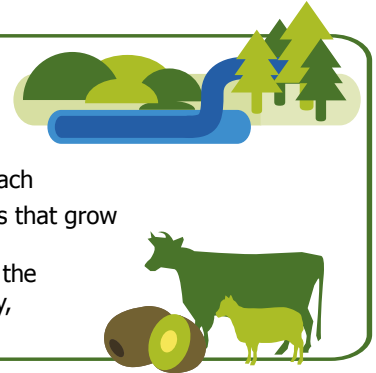
### OUR FINANCES

#### 2013/2014 Actual Results

Total income <b>\$83,889,000</b> (2013: \$80,119,000)	Total operating costs <b>\$78,110,000</b> (2013: \$74,578,000)
Rates income <b>\$54,017,000</b> (2013: \$50,014,000)	Total capital expenditure <b>\$15,620,000</b> (2013: \$16,739,000)
Net debt <b>\$134,863,000</b> (2013: \$140,023,000)	Total assets <b>\$1.145 billion</b> (2013: \$1.173 billion)

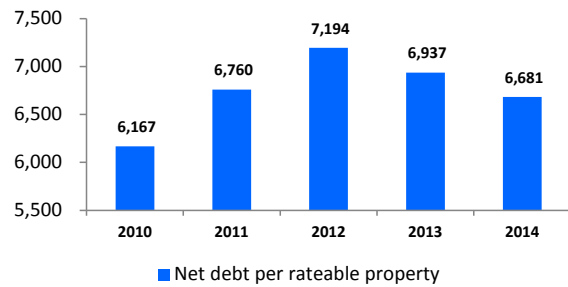
### OUR LAND

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



### OUR DEBT

Net debt per rateable property



## Role of this Annual Report

### Purpose

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

### Planning and reporting framework

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

- ▶ **Long Term Plan (LTP)** (Section 93) identifies Council's plans for the Western Bay over a 10 year period. It is reviewed every three years. Council's latest LTP was agreed in 2012.
- ▶ **Annual Plan** (Section 95) is produced in the two intervening years between each LTP. It outlines any significant changes Council has made to the LTP and contains the annual budget.
- ▶ **Annual Report** (Section 98) provides details of Council's actual performance for all activities against the plans for a specific year of the LTP or Annual Plan.

### OUR COMMUNITIES

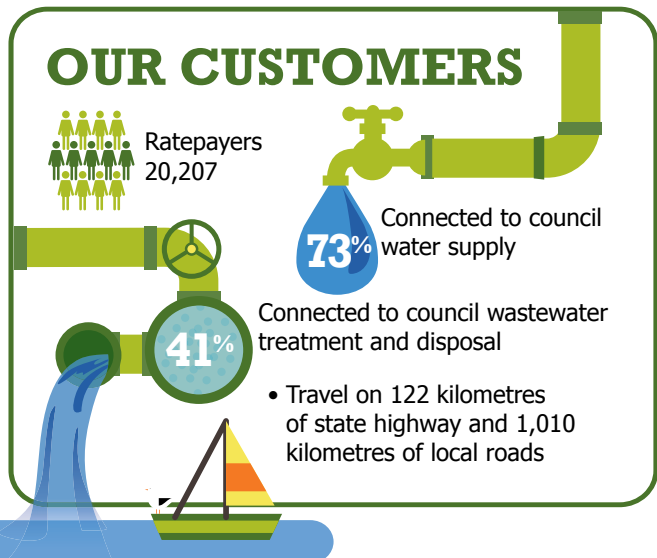
- Rich tapestry of small thriving communities
- Three wards - Katikati/Waihi Beach, Kaimai, Maketu/Te Puke
- An incredibly strong sense of place, resilience and ability to adapt
- An expectation to engage at a community level - grass roots, town hall, road side



### OUR CUSTOMERS



Ratepayers  
20,207

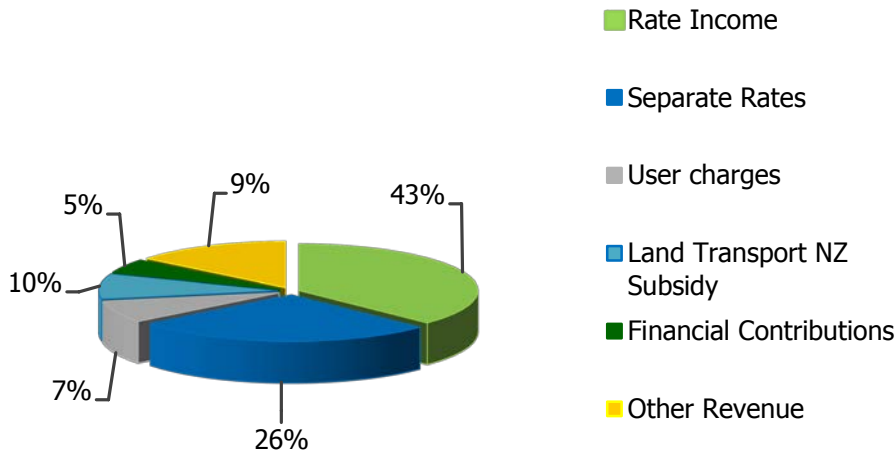


## Financial summary overview

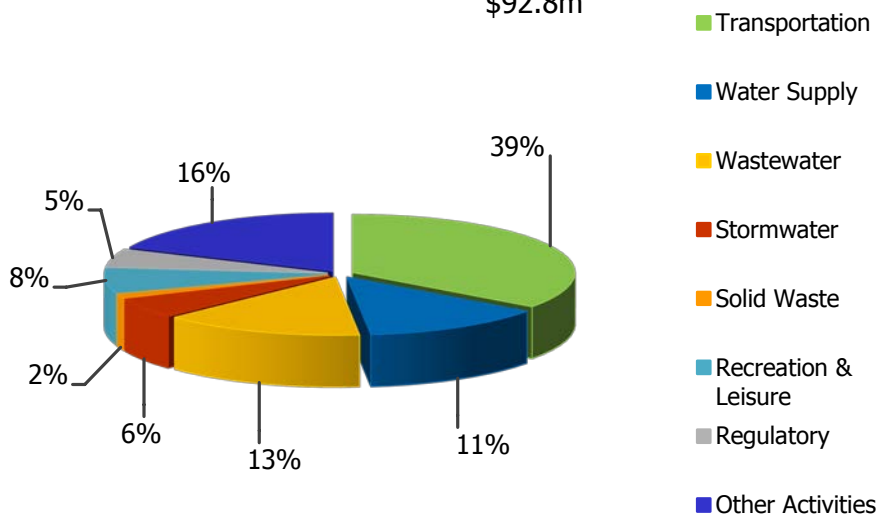
Council has reported a net surplus of \$6.12 million compared with a budgeted operating surplus of \$4.79 million.

The major contributor to this increased surplus were valuation gains on Council owned forestry assets and greater finance income (as a result of unrealised hedged movements).

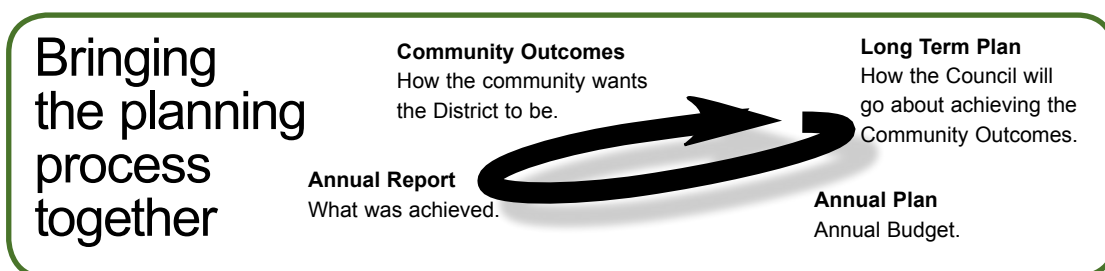
### Council Revenue 2013/14 (excluding vested assets) \$83.9m



### Council Capital and Operating Expenditure 2013/14 (excluding vested assets) \$92.8m



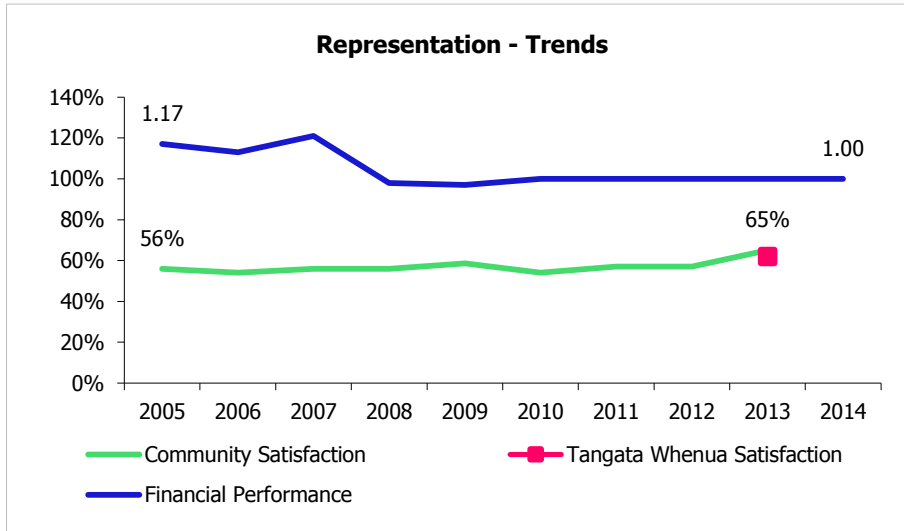
To see a detailed overview of Council's performance see pages 14 - 16 of the full Annual Report 2013/14.



# Key performance measure results

## Leadership

### Representation



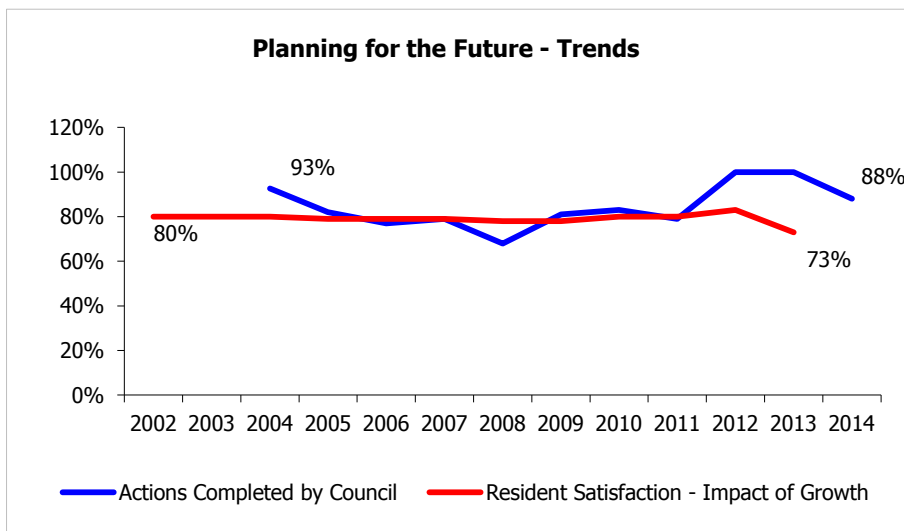
#### Council Financial Performance

The financial performance index has been developed to monitor Council's financial trends and level of compliance with Treasury Policy. In 2014 Council met its financial performance target of 1.00.

#### Satisfaction with Council Performance

This monitors the level of community and tangata whenua satisfaction with opportunities to participate in decision making and the level of representation. This survey is conducted on a three yearly basis and the next survey will be conducted in 2016. 2013 results revealed 65% community satisfaction and 62% tangata whenua satisfaction.

### Planning for the Future



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

Council completed 88% of the actions scheduled for 2014. The target was achieved as Council decided not to review the water strategy and the wastewater strategy could not be completed due to resourcing issues.

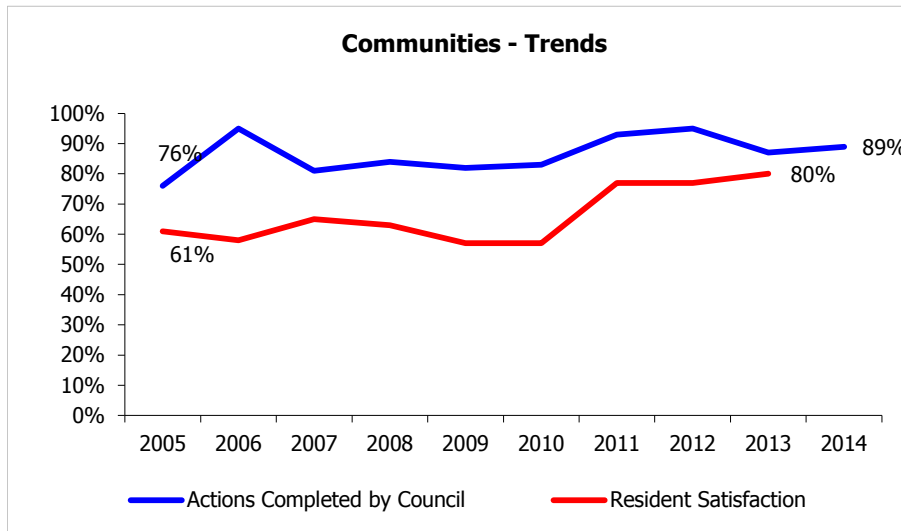
#### Resident Satisfaction with the Impact of Growth on the District

This monitors the level of resident satisfaction with the impact of growth on the district. This survey is conducted on a two yearly basis. The next survey will be conducted in 2015. The 2013 survey revealed a satisfaction level of 73%.



# Building Communities

## Communities



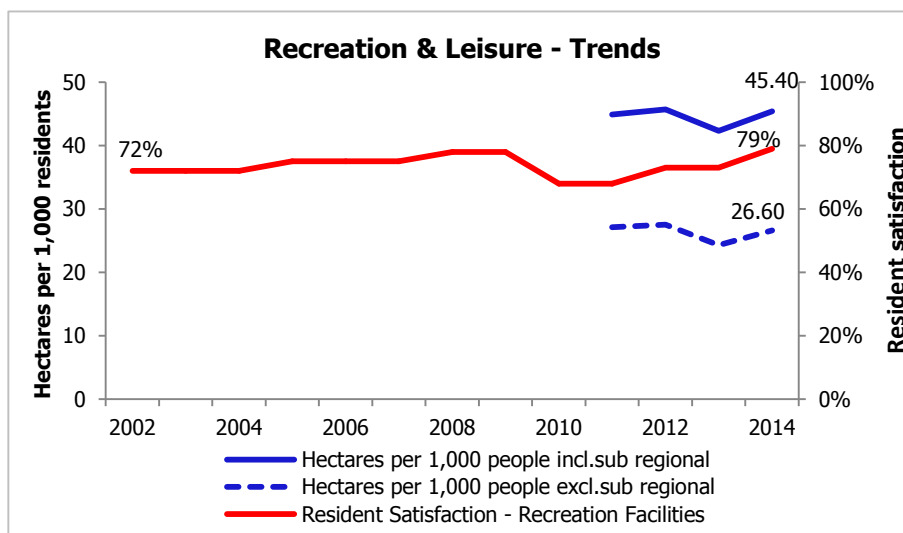
### Actions completed by Council as defined in the Communities Action Plan

Council completed 89% of the actions scheduled in the action plan for the 2014 year. The target of 90% was not achieved. Actions included payment and monitoring of Community Services Contracts, safer community initiatives, management of the cemeteries and libraries.

### Resident Satisfaction with Community Development

This survey monitors residents satisfaction with the community development programme. This survey is conducted on a two yearly basis. The next survey will be undertaken in 2015.

## Recreation and Leisure



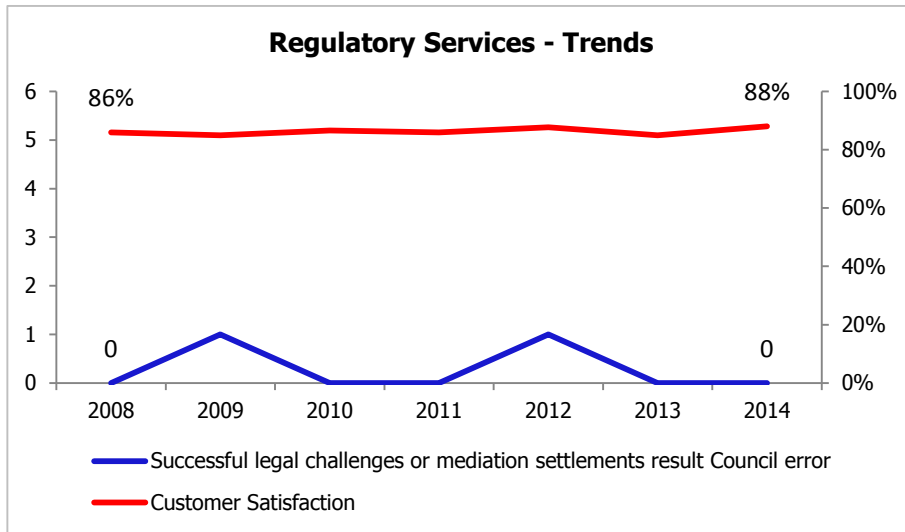
### Recreational Services provided per 1,000 people

This monitors the park land available in the district per 1,000 people. The 2014 results show a slight increase in the park land available from 2013.

### Resident Satisfaction with Reserves and Recreational Facilities and Amenities

This survey monitors the level of satisfaction with reserves and recreational facilities and amenities. This survey is conducted on a two yearly basis. The 2014 survey revealed a satisfaction level of 79%.

## Regulatory Services



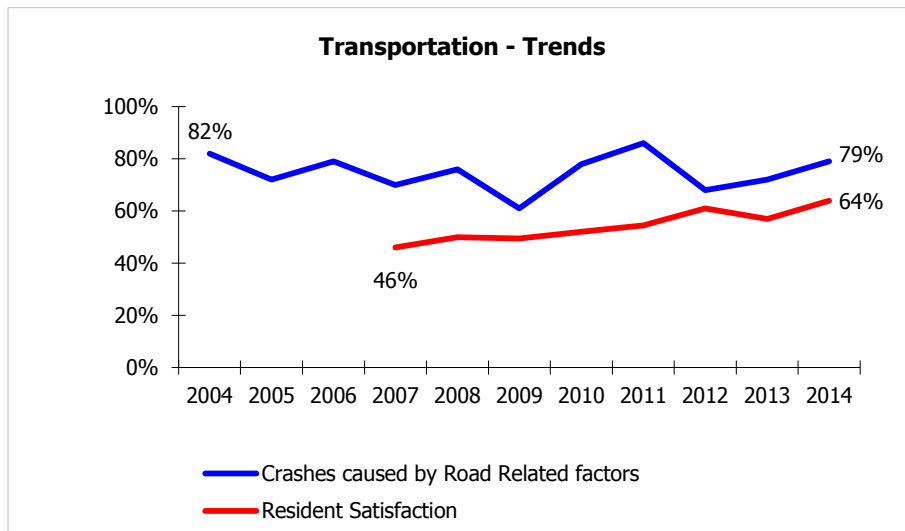
### Successful legal challenges or mediation settlements as a result of Council error

In 2014 there were no successful challenges as a result of Council error.

### Customer Satisfaction with Regulatory Services

This survey monitors customer satisfaction with all regulatory services. This includes Building & Health, Resource Consents, and Animal Services. The level of customer satisfaction in 2014 is 88%.

## Transportation



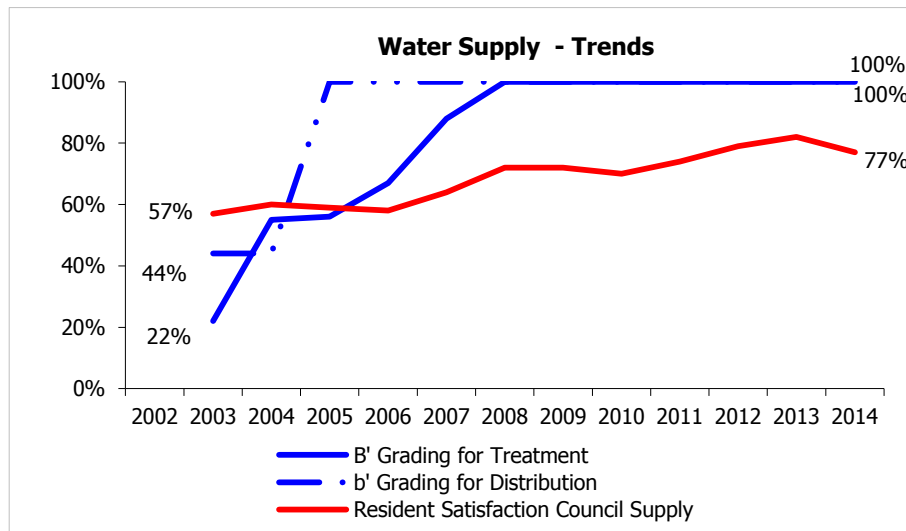
### Crashes caused by Road Related factors

This monitors the number of crashes caused by road related factors (e.g. potholes, surface roughness) compared to Council's peer group. Council's result of 79% indicates an above average result than our peer group.

### Satisfaction with Transportation

This survey monitors the level of satisfaction with roading, cycleways and walkways. The level of resident satisfaction in 2014 is 64%.

## Water Supply



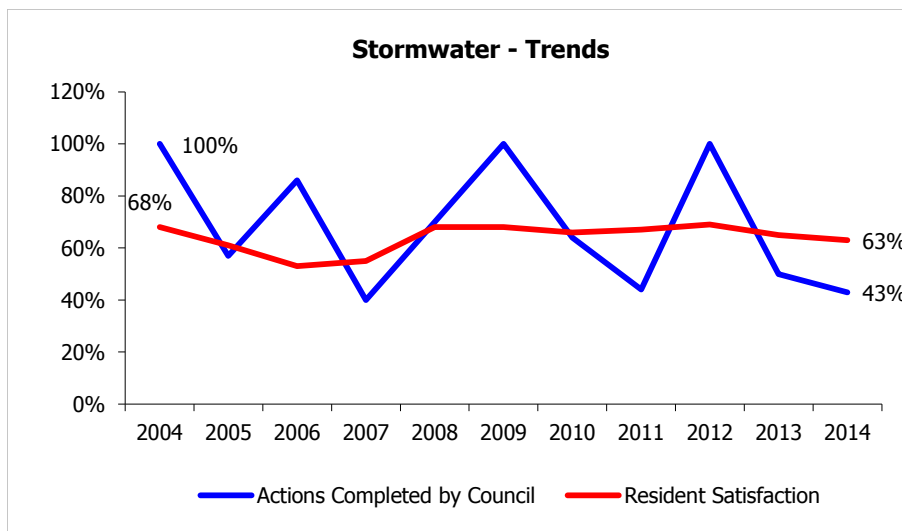
### Water supply with Ministry of Health Grading 'Bb' for treatment and distribution

For the Council supply areas 100% achieved a 'B' grading for treatment, and 100% achieved a 'b' grading for distribution.

### Resident Satisfaction with the quality of Council Water Supply

This survey monitors the level of satisfaction with the Council water supply. The level of satisfaction in 2014 is 77%. Key reasons for dissatisfaction were attributed to taste and use of chemicals.

## Stormwater



### Actions completed by Council as defined in the Stormwater Action Plan

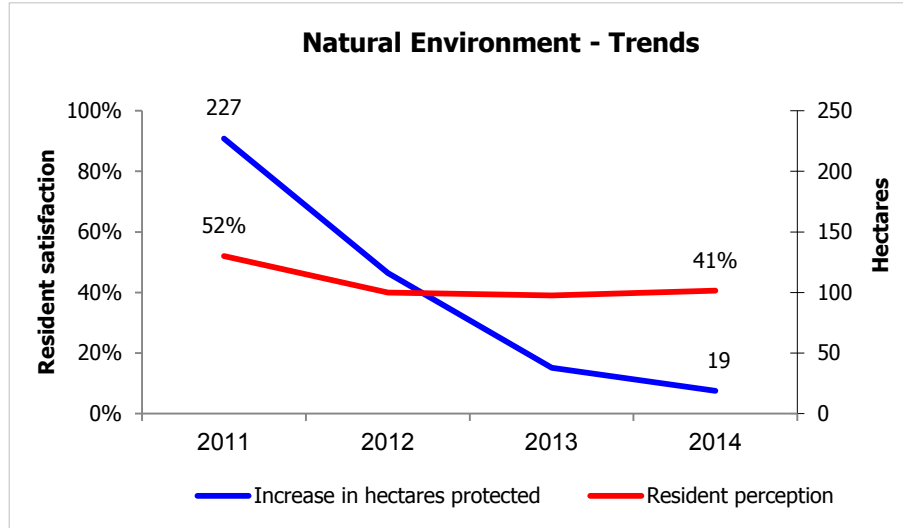
Council completed 43% of the actions scheduled for the 2014 year, as a result the target of 90% was not met. Projects were delayed due to consultation and appeal processes as well as reviewing options for planned works.

### Resident Satisfaction with Stormwater Systems

The level of satisfaction with stormwater systems in 2014 was 63%, as a result the target of 70% was not met. Key reasons for dissatisfaction were related to the capacity and maintenance of drains and road flooding.

## Protecting the Environment

### Natural Environment



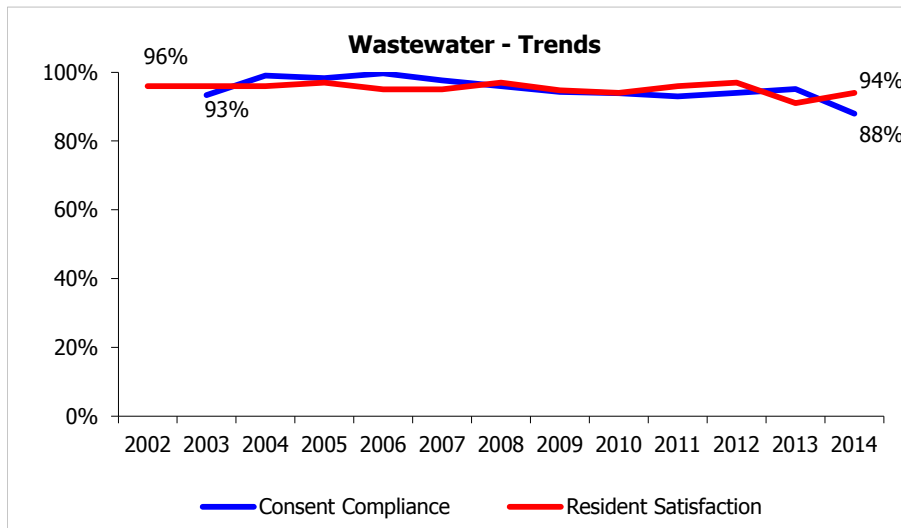
#### Hectares of land physically and legally protected

The total number of hectares physically and legally protected increased in 2014 by 19ha. The target was not achieved due to low demand for rural lifestyle lots and change in subdivision rules.

Resident perception of an improvement in the environmental features

The environmental features monitored includes quality of streams and rivers, harbours and estuaries, air quality, amount of noxious weeds, protection of historic places, general level of cleanliness and the amount and quality of native plants. The 2014 survey revealed that 41% of residents surveyed perceive there has been an improvement, as a result the target of 50% was not achieved.

### Wastewater



#### Level of Compliance with Resource Consents

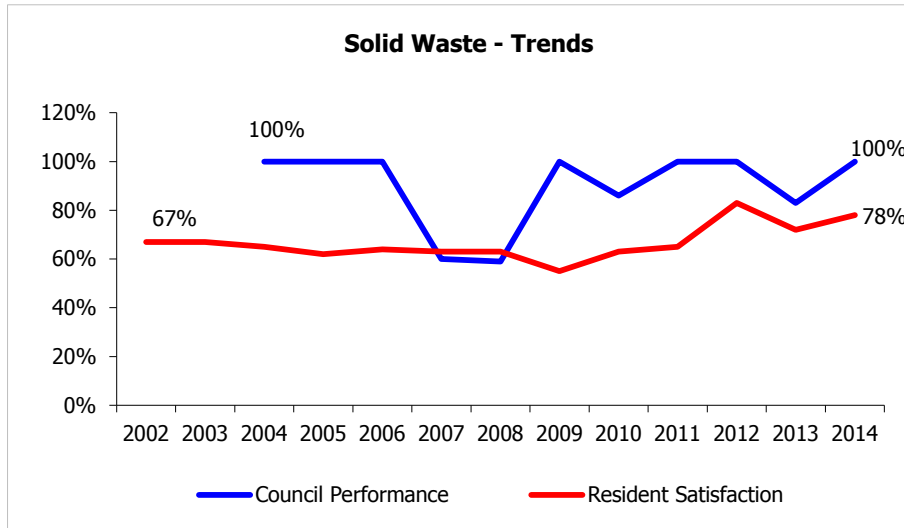
All wastewater treatment plants are monitored to ensure compliance with resource consent conditions. In 2014 Te Puke was the only plant that achieved the Resource Consent target. The other plants in Katikati and Waihi Beach had non conformance issues prior to desludging while Maketu/Little Waihi experienced some mechanical faults.

#### Resident satisfaction with Sewage Disposal Systems

The level of satisfaction with Council sewage disposal systems is 94%. The target of 95% was not achieved. The key reason for dissatisfaction was the cost of the wastewater schemes.



## Solid Waste



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

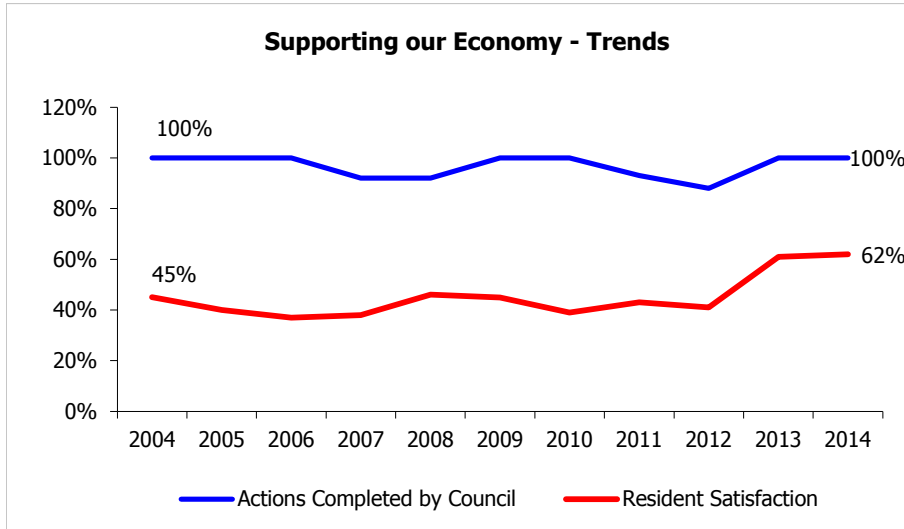
Council completed all of the actions scheduled for the 2014 year. Actions included management and operation of the solid waste and recycling facilities as well the delivery of the waste minimisation programme.

### Resident satisfaction with Household Rubbish Disposal Methods

The level of satisfaction with household rubbish disposal methods is 78% for the 2014 year.

# Supporting our Economy

## Economic



### Actions completed by Council as defined in the Economic Action Plan

All actions scheduled for the 2014 year have been completed. This included the payment of economic grants and town centre promotion and development.

### Resident Satisfaction with Council's Role in Promoting Business & Employment Opportunities

This survey monitors the level of satisfaction with Council's role in promoting employment and business opportunities within the sub-region. The level of satisfaction in 2014 was 62%.

## Support Services

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

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

## 2013/14 highlights

Council is a shareholder of the New Zealand Local Government Funding Agency Limited. This entity was created to provide more cost effective financing specifically to local authorities and Western Bay estimates that the on-going savings as a result of borrowing from the LGFA are \$100,000 per annum in interest costs. This entity has continued to provide favourable borrowings margins and paid a dividend during the year.

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

## Future initiatives

Council will continue to participate in the BOPLASS initiatives.

# Summary extract from the statement of accounting policies for the year ended 30 June 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.

## Associate entities and Council Controlled Organisations (CCO's)

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.

## Events after the balance sheet date

There were no significant events after balance date.





## Summary financial reports

### Statement of comprehensive income for year ended 30 June 2014

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

## Statement of comprehensive income for year ended 30 June 2014

### Major variances

Council recorded a net surplus of \$6.12 million (m) as compared with a budgeted surplus of \$4.80m, an increase of \$1.32m.

#### The major contributors to the variance were:

- ▶ Fees 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.
- ▶ Rate 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.
- ▶ Vested 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.
- ▶ Financial contribution revenue of \$4.177m is \$1.37m lower than the \$5.546m budget due to lower than expected subdivision.
- ▶ Finance 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.
- ▶ Subsidies and grants income of \$7.486m was \$0.64m lower than forecast of \$8.127m due to lower transportation capital expenditure.
- ▶ Gains 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.
- ▶ Other 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.
- ▶ Other 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.
- ▶ Personnel costs of \$13.009m were \$0.01m lower than the \$13.023m budget, due to savings made in staff replacement costs.
- ▶ Depreciation 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.
- ▶ Finance 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.
- ▶ Council 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 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

## Statement of financial position at 30 June 2014

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
<b>Total Equity</b>	<b>973,188</b>	<b>1,012,630</b>	<b>977,702</b>
<b>Assets</b>			
Total current assets	29,924	19,616	43,506
Total non-current assets	1,115,509	1,174,766	1,129,612
<b>Total Assets</b>	<b>1,145,433</b>	<b>1,194,382</b>	<b>1,173,116</b>
<b>Liabilities</b>			
Total current liabilities	33,846	46,154	58,984
Total non-current liabilities	138,399	135,599	136,430
<b>Total Liabilities</b>	<b>172,245</b>	<b>181,753</b>	<b>195,414</b>
<b>Net Assets</b>	<b>973,188</b>	<b>1,012,630</b>	<b>977,702</b>

## Major variances

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 for year ended 30 June 2014

	Actual \$'000 2014	Budget \$'000 2014	Actual \$'000 2013
<b>Cash flows from operating activities</b>			
Receipts from rates revenue	53,568	52,637	50,349
Other income	24,626	22,616	26,661
Regional Council rates	4,632	4,215	4,563
Total operating cash provided	82,826	79,468	81,573
Total operating cash applied	(62,525)	(60,038)	(61,312)
<b>Net cash from operating activities</b>	<b>20,301</b>	<b>19,430</b>	<b>20,261</b>
<b>Cash flows from investing activities</b>			
Total investing cash provided	25,373	842	1,130
Total investing cash applied	(15,620)	(21,544)	(42,139)
<b>Net cash from investing activities</b>	<b>9,753</b>	<b>(20,702)</b>	<b>(41,009)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	24,965	37,000	25,000
Repayment of borrowings	(43,467)	(38,500)	(6,003)
<b>Net cash flows from financing activities</b>	<b>(18,502)</b>	<b>(1,500)</b>	<b>18,997</b>
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
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>21,033</b>	<b>10,853</b>	<b>9,482</b>

### Major variances

The major variances to budget were:

- ▶ 2014 actual movement was an increase in cash held of \$11.6m versus a budgeted net decrease of \$2.8m. This was due to a term deposit maturing that was not budgeted for.
- ▶ Net cash flows from operating activities of \$20.3m versus budget of \$19.4m and 2013 actual of \$20.3m. The variance was due to higher receipts from rates and other income, this was offset by greater payments to supplies.
- ▶ Net cash flows from investing activities of \$9.8m versus (\$20.7m) budget and 2013 actual of (\$41.0m). The majority of this positive variance is the result of a long-term deposit maturing during the year. This is reflected in the variances to budget and 2013 actual for net cash flows from financing activities.



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

	Actual \$'000 2014	Actual \$'000 2013
<b>Net surplus / (deficit)</b>	<b>6,124</b>	<b>5,541</b>
<b>Add/(less) non-cash items</b>		
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	-
<b>Add/(less) movements in working capital items:</b>		
Accounts receivable	55	3,448
Accounts payable	(382)	807
<b>Add/(less) items classified as investing activities</b>		
Revaluation of shares	(10)	9
<b>Net cash inflow (outflow) from operating activities</b>	<b>20,301</b>	<b>20,261</b>

## Summary of cost of services - Council

### 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
<b>Total operating revenue by activity</b>	<b>83,889</b>	<b>78,412</b>	<b>80,119</b>

### 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
<b>Total operating expenditure by activity</b>	<b>78,110</b>	<b>73,616</b>	<b>74,578</b>

## Statement of commitments at 30 June 2014

	Actual \$'000 2014	Actual \$'000 2013
<b>Capital commitments approved and contracted</b>	<b>4,983</b>	<b>19,270</b>
<b>Non-cancellable operating lease commitments</b>		
<b>Plant and equipment</b>		
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	-
<b>Total operating lease commitments</b>	<b>1,067</b>	<b>161</b>

### Other commitments

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.



## Contingencies

	\$'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
<b>Total contingent liabilities</b>	<b>4,013</b>	<b>4,013</b>

## Other legal proceedings

### Building Act claims

The Building Act 2004 imposes certain obligations and liabilities on local authorities in respect to the issue of building consents and inspection of work done. At the date of this report there were no matters under 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.



## Other legal proceedings continued

### 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.



## 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
<b>Western Bay Moana Rural Fire Authority</b>		
<b>Services provided by Western Bay</b>	<b>111,024</b>	<b>107,790</b>
<b>Western Bay of Plenty Tourism and Visitors' Trust</b>		
<b>Services provided to Western Bay</b>	<b>206,518</b>	<b>200,100</b>
<b>Bay of Plenty Local Authority Shared Services Limited</b>		
<b>Services provided to Western Bay</b>	<b>202,266</b>	<b>147,569</b>
<b>New Zealand local Government Funding Agency</b>		
<b>Funding provided to Western Bay</b>	<b>-</b>	<b>25,000,000</b>

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. 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.

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).

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

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

### Elected member remuneration

	Actual \$'000	Actual \$'000
	2014	2013
Councillors	414	416
Community board members	81	90
<b>Total elected member remuneration</b>	<b>495</b>	<b>506</b>



## Independent Auditor's Report

### To the readers of Western Bay of Plenty District Council's summary annual report for the year ended 30 June 2014

The summary annual report was derived from the annual report of the Western Bay of Plenty District Council (the District Council) for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 8 to 27:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (key performance measure results) of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 25 September 2014.

### Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS-43 (PBE): Summary Financial Statements.

### Basis of opinion

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

## Audit Report

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

### Responsibilities of the Council and the Auditor

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

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

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



B H Halford,  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
25 September 2014