



Grey District Council 2013-2014 Annual Report Summary

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About the report

The Annual Report provides information about our performance during the 2013/2014 financial year.

This document is a summary of that report and is intended to provide an overview of the full report.

If you would like to know more, the full Annual Report for 2013/2014 is available from:

- Council's website: www.greymouth.govt.nz; or
- Pick up a copy from Council offices at 105 Tainui Street, Greymouth

From the Mayor and CEO

Welcome to this summary of the 2013/2014 Annual Report. It represents a summary of the report on Council's performance during the period 1 July 2013 to 30 June 2014.

In this summary we have highlighted some of what Council has achieved over the past year, how we have performed and what it cost.

The full Annual Report is an important aspect of Council's accountability to you, its community, and we would welcome you to take the time to read the document in its entirety.

While it is fair to say that the next two or three years will continue to be challenging, we have every confidence in our future and Council remains committed to leading our District.

Special words of thanks goes to elected members and staff for their on-going inputs.

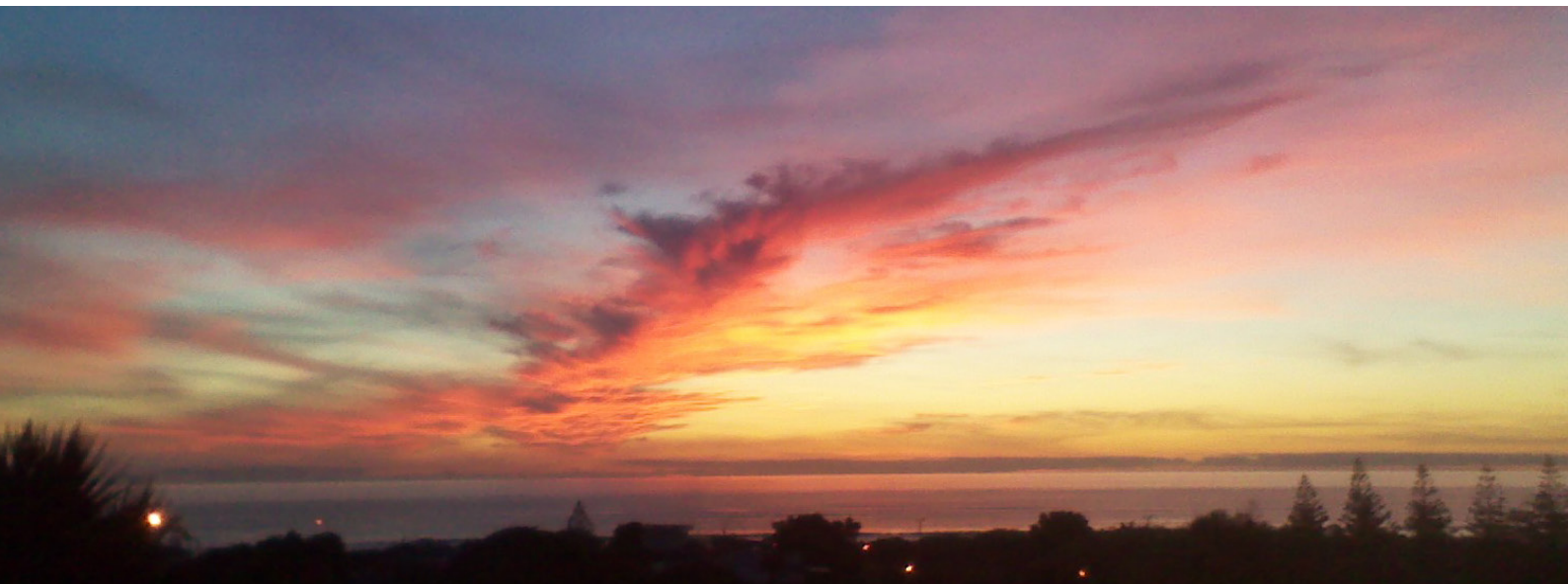


A F Kokshoorn
Mayor

28 November 2014



P G Pretorius
Chief Executive Officer





Highlights

Highlights for the period 1 July 2013 to 30 June 2014 include:

- The Greymouth to Ross Cycleway was officially opened in November 2013.
- Progress is continuing on the Northern Breakwater Cobden Aromahana Sanctuary with Council, the Department of Conservation and the wider community partnering in the ecological restoration and beautification of the area.
- Greymouth Sewerage Scheme upgrade neared completion, with the new Greymouth wastewater treatment plant opening in August 2014.
- The new Dobson/Kaiata/Taylorville wastewater scheme neared completion.
- Work began linking the Stillwater water supply to the Dobson water supply (which will eventually be linked back to the Greymouth water supply).
- Work continued on finalising the design for the proposed Westland Recreation Centre.
- Works progressed on projects from the Community Economic Development Strategy 2013-2023 such as the Real Stories campaign to feed into a Signage and Interpretation Framework, rebranding of Council and the district and investigations into the feasibility of a proposed Discovery Centre/Innovation Hub.
- The resilience of West Coasters was very evident during and after the adverse weather events which hit the Coast, including Cyclone Ita in Easter 2014. Over 60 properties in the Grey District lost roofs and many buildings were destroyed in Greymouth. Fire brigades responded to over 500 callouts in the Grey District and millions of dollars of damage was sustained throughout the region. Emergency services, civil defence and the wider public mobilised quickly to help those affected. The recovery from Cyclone Ita is still continuing but we can be proud of the community spirit when adversity comes our way.

Our performance

What Council has spent and where is outlined in the Financial Summary section. Council also measures non-financial performance against a number of measures (you can find the complete list of these within the full Annual Report).

How we measure our non-financial performance

Council used an independent research company to carry out a **resident satisfaction survey** on Council's behalf. The interviews took place between 5 August 2013 and 18 August 2013. Initial random sampling was combined with quota sampling to ensure a representative sample was achieved. Quotas were set for age, gender and area according to the 2006 Census.

The statistical margin of error for the total sample of 350 is plus/minus 5.3% at a 95% confidence level.

These same survey results have been disclosed for both 2012/2013 and 2013/2014 (i.e. Council has not carried out a new survey). Council is satisfied that these results fairly reflect the result for both years given the timing of the survey and that no significant events have occurred subsequent to the survey that would be likely to influence the results.

Our activity groups

Council is responsible for a wide range of activities and as a practical measure groups activities of a similar output together. Our groups of activities looks like this:



PERFORMANCE BY ACTIVITY

We've listed some of the significant performance measures from the 2013/2014 Annual Report for our activities below.

Land transport

88% of residents agree our local roads are safe
Our target was 75%

Nil Of the 57 crashes report, none were caused by road factors

Stormwater

69% of residents satisfied with overall stormwater service
Our target was 65%

Nil Number of resource consent breaches
Our target was Nil

Wastewater (sewerage)

67% of residents satisfied with overall wastewater service
Our target was 65%

Nil There were no reported wastewater overflows into houses

Water

76% of residents satisfied with appearance and taste of water
Our target was 90%

89% of residents satisfied with pressure and flow of water
Our target was 80%

Solid waste (refuse and recycling)

91% of residents satisfied refuse and recyclables are collected on time
Our target was 90%

77% of residents satisfied refuse facilities are kept clean and tidy (e.g. litter bins, recycling and refuse centres)
Our target was 75%

Emergency management

72% of residents feel they are prepared to cope in an emergency
Our target was 80%

31 out of 39 Grey DC staff who man the Emergency Operations Centre in an emergency are trained to CIMS 4 standard
Our target was 32 staff

Environmental services

99% of building inspections were undertaken at agreed times
Our target was 95%

96% of known dogs were registered by the due date (2,760 out of 2,864)
Our target was 95%

Other transport

48% of residents satisfied that the airport is run efficiently
Our target was 55%

35% of residents satisfied that the Port is run efficiently
Our target was 55%

Property and housing

77% of total operating costs were covered by revenue (i.e. income) for our property activity
Our target was 80%

96% occupancy rate was achieved for our pensioner housing units
Our target was 95%

Community facilities & events

79% of residents satisfied with the library service
Our target was 80%

376 enrolments in the Swim School per term
Our target was 185

Democracy & administration

87% of residents satisfied with the service they received when they contacted Council
Our target was 85%

90% of Council business conducted in the open meetings (rather than closed)
Our target was > 80%

For a complete list of performance measures, please refer to the full Annual Report

Financial summary

Grey District Council is a public benefit entity. The information included in the summary financial statements has been extracted from the audited full financial statements. The full financial statements includes full details of accounting policies, was authorised for issue by the Council on 30 October 2014, was prepared in accordance with generally accepted accounting practice in New Zealand and fully complied with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Notes to the Financial Statements for the year ended 30 June 2014

Basis of preparation:

The Council has prepared the summary financial statements in order to provide users with an overview of the performance of Council. The specific disclosures included in the summary financial report have been extracted from the full audited annual report dated 30 October 2014.

Readers of the summary financial statements should note that the information contained therein cannot be expected to provide as complete an understanding as provided by the full financial statements of the financial performance, financial position, cash flows, and service performance measures of the Council. Users who require additional information should access the full Council Annual Report from:

- The Council website at www.greymouth.govt.nz; or
- Pick up a copy from Council offices at 105 Tainui Street, Greymouth

The summary financial statements are presented in New Zealand dollars and are rounded to the nearest thousand dollars (\$000) where indicated. These summary financial statements have been prepared in accordance with FRS 43: Summary Financial Statements.

The summary has been authorised for issue by Grey District Council management on 28 November 2014.

FINANCIAL HIGHLIGHTS

\$7.6m
surplus

This large surplus includes a number of one-off subsidies for capital projects (notably wastewater schemes) plus other non-operational income

\$14.1m
capital expenditure

Spent on asset renewals and new assets from a budgeted expenditure programme of \$20.1 million

\$59.3m
increase in asset value
from revaluation

Council revalued its roading network, stormwater, sewerage & water supply systems, general land, buildings and aerodrome assets as at 30 June 2014

\$414.2m
total asset value

This includes Council's Property, Plant and Equipment (e.g. roading network, sewerage systems, water supply systems etc) as well as other assets such as cash and term investments

\$29.9m
total debt

Council uses debt to fund projects with long term benefits such as sewerage schemes and water supplies

10 out of 12
financial prudence measures met

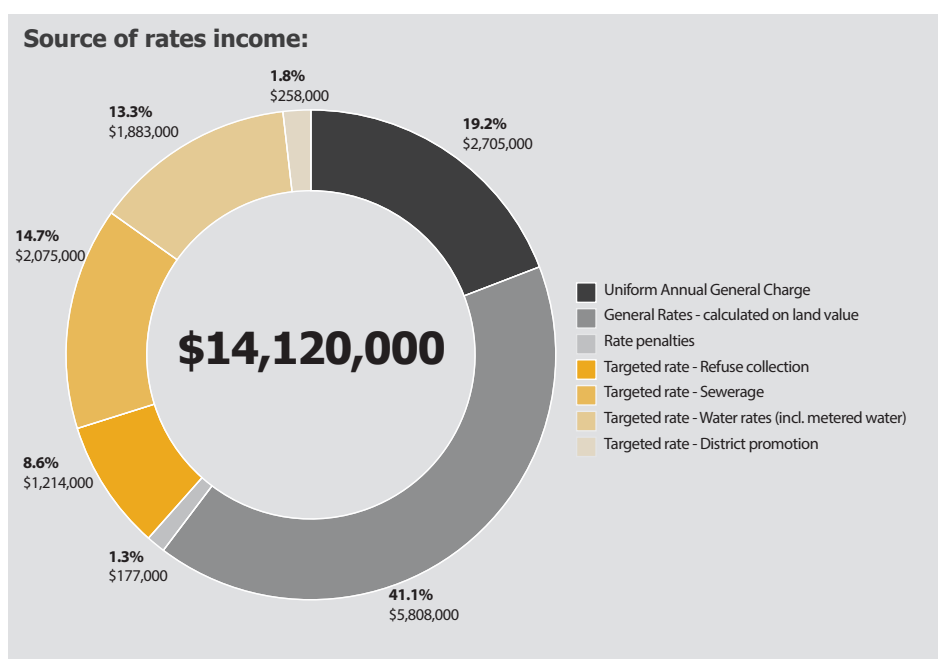
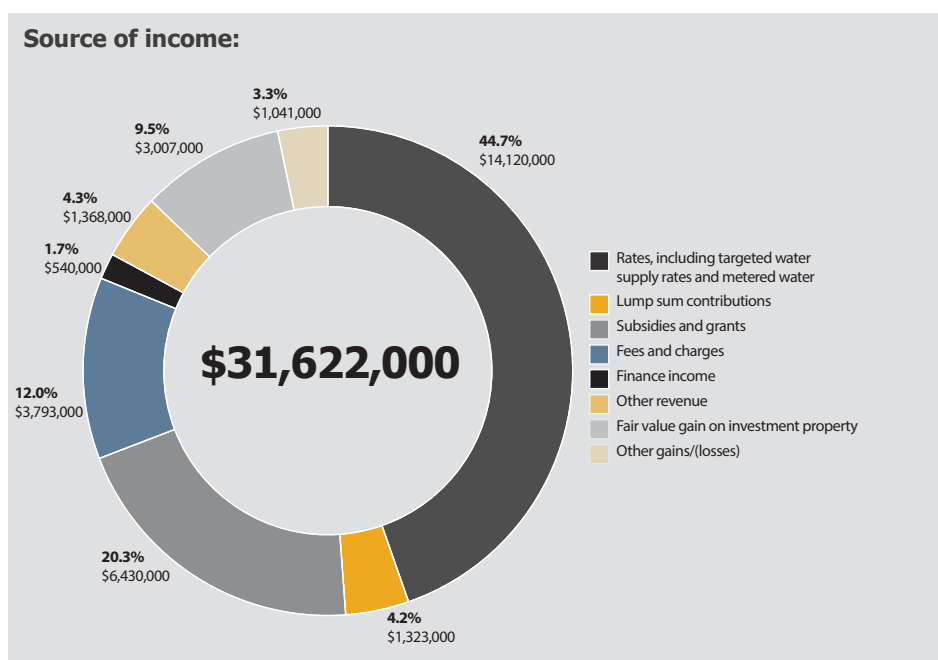
Central government introduced new financial "benchmarks" which all local bodies need to report against. Our performance against the benchmarks show that Council has acted prudently during the year and within the parameters we set in our Long Term Plan

SUMMARY FINANCIAL STATEMENTS

Summary Statement of Comprehensive Income for the year ended 30 June 2014

	Note	Actual 2013	Annual Plan 2014	Actual 2014
		\$000	\$000	\$000
Total income	1	28,296	36,709	31,622
Operating expenditure (excluding finance costs)	2	(24,735)	(24,057)	(22,574)
Finance costs	2	(542)	(2,004)	(1,405)
Net surplus/(deficit) before tax		3,019	10,648	7,643
Income tax expense		-	-	-
Surplus/(deficit) after tax for the year		3,019	10,648	7,643
OTHER COMPREHENSIVE INCOME				
Movement in asset revaluation reserve		(2,439)	23,760	59,327
Total comprehensive income		580	34,408	66,970

NOTE 1: INCOME



Significant variations from budget for income are made up of mainly the following:

Fees, charges, and targeted rates for water supply \$1,218,000 greater than budget. The main reason for the actual being higher than budget is that it includes the amount Council received in lump sum contributions towards the Taylorville/Dobson/Kaiata wastewater schemes. There were a higher number of ratepayers electing to pay the lump sum option than budgeted, resulting in additional income of \$1,323,000 being recorded for 2013/2014.

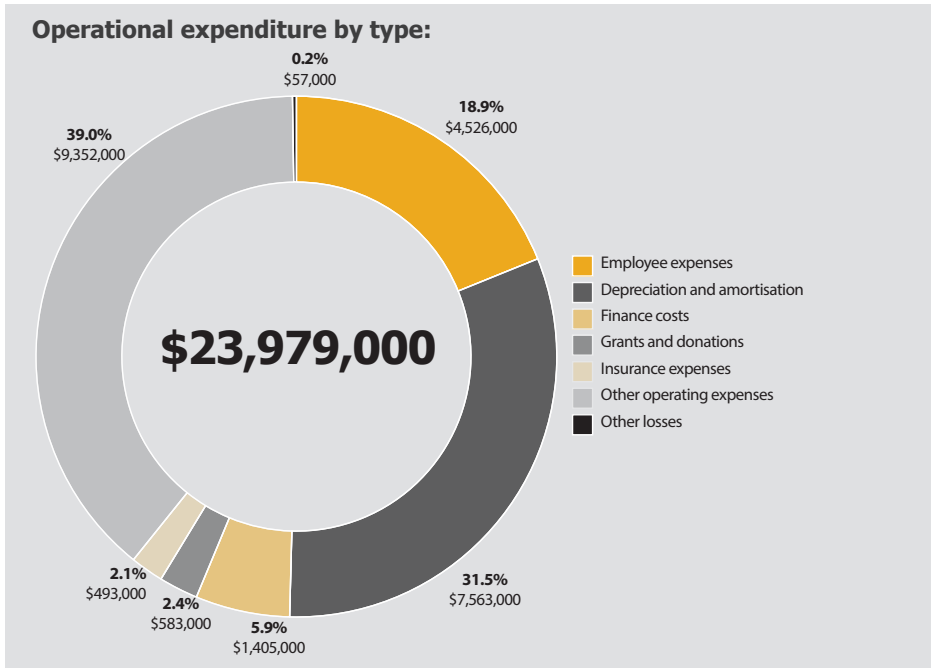
Subsidies and grants \$11,151,000 less than budget:

- The budget included \$5,555,000 to be received towards the proposed Westland Recreation Centre. Due to project delays in confirming/commencing this project, actual grants received were \$630,000.
- Actual subsidies received for wastewater were \$3,728,000 less than budget due to delays in major projects, notably the new Taylorville/Dobson/Kaiata scheme. Subsidies are paid based on actual expenditure incurred meaning the balance will be received in 2014/2015.
- NZTA financial assistance (subsidy) received was \$1,192,000 less than budget due to some projects not being approved for funding (Taylorville-Blackball Road strengthening) and other maintenance/renewal works not fully completed and carried forward to 2014/2015.
- Water supply subsidies were \$712,000 less than budget due to delays in projects that are to receive Ministry of Health subsidies (Dobson/Taylorville supply upgrade and Runanga supply upgrade).

Other revenue \$924,000 greater than budget, which is largely due to:

- Recoveries associated with the Greymouth Aquatic Centre, where third parties have contributed \$565,000 in cash towards the roof deflection remediation.
- Insurance recoveries of \$251,000 related to the former harbour goods sheds which were damaged beyond economic repair in the Easter 2014 storm.

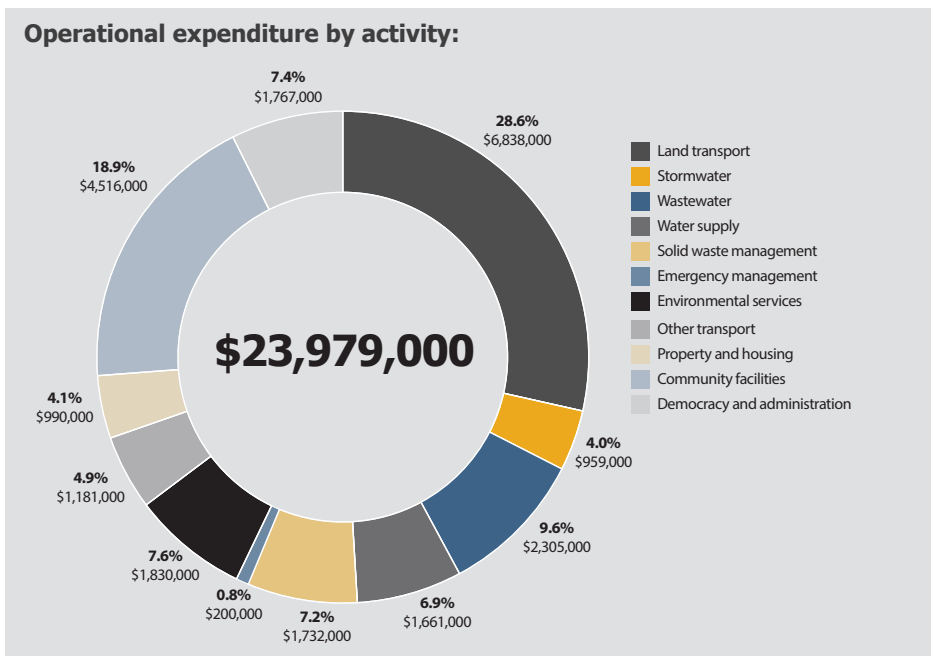
NOTE 2: TOTAL OPERATIONAL EXPENDITURE (INCLUDING FINANCE COSTS):



Total expenditure of \$23,979,000 includes all operating and maintenance items, staff costs, interest expenditure and depreciation.

It does not include the money spent replacing existing or purchasing new assets (refer to graph on next page).

Internal administration costs (staff costs plus overheads) have been allocated against each activity of Council using the most appropriate method.



Significant variations from budget for expenditure are made up of mainly the following:

- **Depreciation and amortisation expense** \$913,000 less than budget. A large increase in depreciation was expected/ budgeted associated with the completion of major capital projects (such as wastewater). The delay in their completion/ commissioning means that the associated depreciation expense has not been incurred.
- **Finance costs** \$599,000 less than budget due to the actual interest costs incurred being lower than budgeted due to more favourable interest rates as well as new loans being uplifted later in the year than originally budgeted.

Statement of Movements in Equity for the year ended 30 June 2014

	Actual 2013	Annual Plan 2014	Actual 2014
	\$000	\$000	\$000
Balance at 01 July	309,439	314,326	310,019
Total comprehensive income	580	34,408	66,970
Balance at 30 June	310,019	348,734	376,989

This section explains **Council's net worth**, which is the difference between Council's total assets and total liabilities. Net worth is represented in the financial statements by the balance of equity.

Significant variations from budgeted changes in equity are as follows:

- \$3,005,000 of **lower surplus** in the current year; and
- \$35,567,000 of **higher revaluation movements** for property, plant and equipment.

Total equity is \$28,255,000 higher than budgeted primarily due to the \$32,562,000 of variations above, less a \$4,307,000 lower opening position due to Annual Plan budget timing.

Summary Balance Sheet as at 30 June 2014

	Actual 2013 \$000	Annual Plan 2014 \$000	Actual 2014 \$000
Current Assets	28,205	15,328	25,095
Non Current Assets	319,581	371,923	389,078
TOTAL ASSETS	347,786	387,251	414,173
LIABILITIES			
Current Liabilities	8,781	11,374	4,510
Non Current Liabilities	28,986	27,143	32,674
TOTAL LIABILITIES	37,767	38,517	37,184
EQUITY			
Retained earnings	209,673	230,651	222,087
Special Funds	17,375	8,746	12,601
Trusts Bequests and Other Reserves	502	669	505
Revaluation reserve	82,469	108,668	141,796
TOTAL EQUITY	310,019	348,734	376,989
TOTAL EQUITY AND LIABILITIES	347,786	387,251	414,173

Significant variations from budget are as follows:

Current assets are \$9,767,000 higher than budget primarily due to:

- Cash and cash equivalents/short-term investments \$6,304,000 greater than budget. This is due largely to significant capital expenditure (such as Greymouth Sewerage scheme and Taylorville/Dobson/Kaiata Sewerage Scheme) being delayed as compared to budget. The result is that funds set aside and raised specifically for the purpose have not yet been utilised.
- Trade and other receivables \$3,047,000 greater than budget due to a number of large receivables were billed as at 30 June 2014 for work relating to 2013/2014.

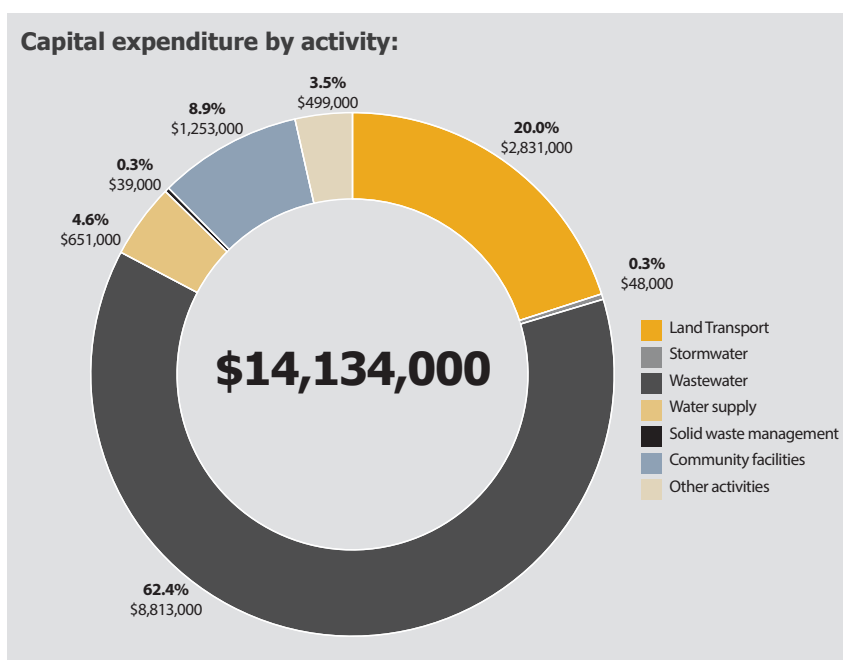
Non-current assets are \$17,155,000 higher than budget primarily due to:

- An increase in asset value of \$35,567,000 greater than budgeted as a result of the revaluation of some assets.
- The increase in asset value due to capital expenditure is less than budget given key capital projects have not progressed as far as anticipated, such as the Greymouth Sewerage scheme and the Taylorville, Dobson, Kaiata Sewerage scheme. These projects are expected to be completed in the 2014/2015 year.
- Investment property has increased above budget by \$3,772,000 as the transfer of "non-current assets held for sale" into this category wasn't factored in.

Total liabilities are \$1,333,000 less than budget due to:

- Total borrowings \$2,767,000 less than budget due to capital projects that require part debt funding not being as far advanced as planned (notably wastewater and water supply projects).
- Provisions \$1,386,000 higher than budget, as at the time of preparing and adopting the 2014 budget Council had not made a provision for the West Coast Theatre Trust loans.

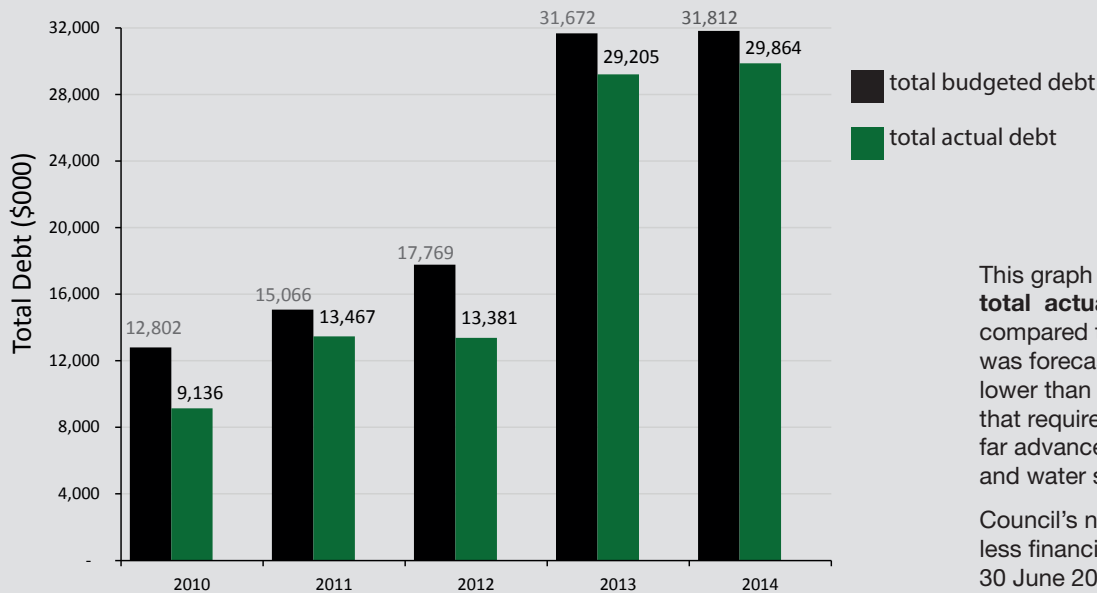
Total equity is \$28,255,000 higher than budgeted as referred to above. In addition to this overall difference Council's Special Funds balance is \$3,855,000 higher than budget due to capital projects that require part funding from special funds not being as far advanced as planned (notably wastewater and water supply projects).



Of the \$14,134,000 Council spent on replacing existing assets and acquiring/building new assets, the following are some of the more significant projects:

	\$000
General renewals of the roading network	1,938
Coastal Pathway	449
Greymouth wastewater upgrade (in progress as at 30 June 2014)	4,998
Dobson/Kaiata/Taylorville scheme (in progress as at 30 June 2014)	3,639
Westland Recreation Centre (in progress as at 30 June 2014)	910

Council debt: Actual vs Budget for last five years



This graph demonstrates what Council's **total actual debt** is for the last five years as compared to what the budgeted total debt was forecast to be. The actual debt is slightly lower than budget due to capital projects that require part debt funding not being as far advanced as planned (notably wastewater and water supply projects).

Council's net debt position (financial liabilities less financial assets) was \$14,311,000 as at 30 June 2014.

Summary Statement of Cash Flows for the year ended 30 June 2014

	Actual 2013 \$000	Annual Plan 2014 \$000	Actual 2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from rates & other revenue	27,246	36,556	28,547
Payments to suppliers, employees, and interest paid	(16,599)	(17,133)	(17,067)
Net cash from operating activities	10,647	19,423	11,480
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment and investments	32,059	12,938	9,039
Purchase of property, plant and equipment and acquisition of investments	(46,155)	(33,404)	(28,452)
Net cash from investing activities	(14,096)	(20,466)	(19,413)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	15,875	3,959	4,853
Repayment of borrowings	(51)	(3,000)	(4,191)
Net cash from financing activities	15,824	959	662
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	12,375	(84)	(7,271)
Cash, cash equivalents and bank overdrafts at the beginning of the year	7,765	5,627	20,140
Cash, cash equivalents and bank overdrafts at the end of the year	20,140	5,543	12,869

Summary of capital commitments approved and contracted

During its annual planning process for the 2014/2015 financial year, Council approved \$18,042,000 to be spent on Capital Works (2013/2014: \$20,138,000) associated with Council's various assets and functions. A detail of the works to be carried out is included in the 2014/2015 Annual Plan, which was adopted by Council on 9 June 2014 and released to the public.

Council has also approved budget carry-forwards for work not completed during 2013/2014 of \$18,691,844.

Summary of contingent assets and contingent liabilities

A full disclosure of contingent assets and liabilities is disclosed in the full annual statements, relating to:

1. Council has agreed to act as guarantor for borrowing by Westurf Recreation Trust up to \$200,000. As at balance date the Trust has not yet proceeded with uplifting of a loan and has indicated to Council that they are unlikely to require the loan.

2. Defined benefit superannuation scheme: Council has an ongoing commitment as a participating employer in the National Provident Fund's Defined Benefit Plan (contingent liability).
3. Resource consents: Council has entered into a number of bonding arrangements with various subdividers, whereupon the financial contributions payment to Council is delayed until the sale of each individual lot. The actual contributions are adjusted based on relative price indices and are underwritten by a third party guarantor. As at 30 June 2014, the payments to be made to Council in the future totalled \$124,143 (2013: \$155,417).
4. Council is currently working towards resolving issues associated with the tiling at the Grey District Aquatic Centre (Aquatic Centre). These relate to known issues with the tiling of the spa pool along with the tiling of the changing rooms. There is a question of liability and there are several parties involved in the litigation. Council considers that it is a growing likelihood that it will be successful in recovering a large portion of the estimated total repair costs of \$350,000. Given the complexity of the case and the uncertainty about how exactly it will be resolved, it is difficult to estimate what portion of the \$350,000 may be recovered by Council.

Independent Auditor's Report

To the readers of Grey 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 Grey 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 3 to 10:

- the summary balance sheet as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of movements in equity and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements and other explanatory information; and
- the summary statement of service provision (referred to as highlights and our performance) of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 30 October 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: *Summary Financial Statements*.

Basis of opinion

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

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 30 October 2014 on the full audited statements.

Auditor's report continued

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: *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: *Summary Financial Statements*.

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



Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
28 November 2014