

# 2017/2018 Annual Report SUMMARY

## From the Mayor and CEO

Welcome to this summary of the 2017/2018 Annual Report, an overview of the report on Council's performance during the period 1 July 2017 to 30 June 2018.

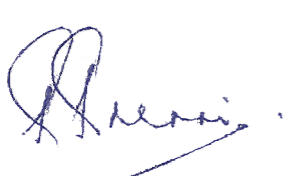
In this summary we list some of our achievement highlights from the previous 12 months, how we have performed and what it has all cost.

We report a deficit for 2017/2018 of \$2,149,000, compared with our budgeted deficit of \$1,414,000. The variances contributing to the additional deficit are detailed in the full Annual Report and the background as to why Council has a budgeted deficit and Council's strategy for addressing those underlying issues are fully explained in Council's 2018 – 2028 Long Term Plan.

The Annual Report is an important way of demonstrating Council's accountability to you - its community. We encourage everyone to take the time to read the complete document.



**A F Kokshoorn**  
Mayor



**P G Pretorius**  
Chief Executive Officer

This summary was authorised for issue by Grey District Council management on 21 November 2018.

### Want to read the whole report?

The Annual Report provides information about our performance for the year ended 30 June 2018. This document is a summary of that report and is intended to provide an overview only of the full report.

If you would like to know more, the full Annual Report for 2017/2018 is available from:

- Council's website: [www.greycdc.govt.nz](http://www.greycdc.govt.nz); or
- Pick up a copy from Council offices at 105 Tainui Street, Greymouth



## Highlights and achievements from the last 12 months

- The Westland Recreation Centre Pool was closed for approximately seven months while repairs were carried out to the roof beams. This was an incredibly complex job as the beams were replaced without taking the roof off – the first time this methodology has been used in New Zealand. The Spring Creek Pool in Runanga was open extended hours over the summer to compensate for the pool closure. Council thanks CYB Contractors, who did a great job on the roof repairs, and the pool reopened to the public in April 2018.
- Council granted Civic Awards to the following people in August 2017 for their outstanding voluntary service to the Grey District Community: Barney Donaldson, Conrad Richards, Iain Whyte, Mary-Anne Hefford, Tony Sullivan and Vinay Chandra.
- The History House Museum temporary exhibition in Mackay Street was open from December 2017 to July 2018. The exhibition space was set up to tell the stories of our local history and themes included sporting heroes, engineering feats, social history and much more. Being an expo, it only covered part of the collection normally held in the museum, however it was hugely popular and had 5,318 visitors through the doors during the time it was open.
- The town square was officially opened on 8 December 2017 as part of the Christmas Carnival, along with the lighting of the new Greymouth Christmas tree. We are incredibly proud of this space – it is a great asset for our community. Council are now working on putting together an event schedule for the town square for 2019.
- Grey District's civil defence emergency operations centre was given plenty of practice with three severe weather events in the first two months of 2018, including ex-cyclone Fehi and ex-cyclone Gita. Ex tropical cyclone Fehi caused extensive damage to the former Cobden dump site and Council started building a protective rock wall.
- Council was pleased to work with AgFest to bring the 2018 event to the Greymouth Aerodrome in April. This was a very exciting opportunity for Greymouth and the wider West Coast region and was motivated by AgFest wanting space to grow their event. The 2018 AgFest was hugely successful, with plenty of entertainment on offer as well as the normal trade displays.
- The Grey District Library was proud to partner with Spark to provide Spark Jump to the community. Spark Jump is an initiative of the Spark Foundation making the internet affordable and accessible to families with school-aged children and no existing broadband connection. There is no connection cost, low fees and the modem is on free loan for as long as you use Spark Jump.

## Overview

**\$2.149m**  
deficit

We report a deficit of \$2.149 million as opposed to the budgeted deficit of \$1.414 million. Refer summary financial statements for details.

**\$29.3m**  
total debt

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

**9,027**  
total number of rating units

Total capital value of rating units - \$2,931,651,550  
Total land value of rating units - \$1,391,031,350

**\$8.9m**  
capital expenditure

Amount spent on asset renewals and new assets.

**\$427m**  
total asset value

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

## How have we performed?

What Council has spent and where is outlined in the summary financial statements section. Council also measures non-financial performance against a number of different targets across our activities - 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. Opinions Market Research carried out interviews between late October and early December 2017. 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 2013 Census. The statistical margin of error for the total sample of 350 is plus/minus 5.3% at a 95% confidence level. The results from the 2017 survey have been used to report on a number of our non-financial performance measures for the period 1 July 2017 to 30 June 2018.

### Our activity groups

Council is responsible for a wide range of activities. As a practical measure, groups activities of a similar output together and these are shown in the following Performance by Activity table.



Summer Fare held in the town square, Feb 2018

## PERFORMANCE BY ACTIVITY

We've listed a few of the performance measures for our activities below. A complete list of performance measures, together with supporting information, is available in the full Annual Report.

### COMMUNITY FACILITIES

includes libraries, swimming pools, heritage, recreation centres, cemeteries, parks and tracks, in-house task force & public toilets

**92%** of residents satisfied with our parks and reserves [target: 80%].

**79%** of residents satisfied with our library services [target: 80%].

### DEMOCRACY & ADMINISTRATION

includes Council, consultation, administration & economic development

**88%** of residents satisfied with the service they receive from Council [target: 85%].

**81%** of residents satisfied with the information they receive from Council [target: 85%].

### EMERGENCY MANAGEMENT

includes civil defence

**78%** of residents feel they are prepared to cope in an emergency [target: 90%].

### ENVIRONMENTAL SERVICES

includes district planning, building control, animal control, health regulation, liquor licensing & regulatory enforcement

**100%** of building inspections were undertaken at agreed times [target: 95%].

**85.7%** of known dogs were registered by the due date (2,278 out of 2,659) [target: 95%].

### LAND TRANSPORT

includes roading & footpaths

**86%** of customer requests responded to within 10 working days [target: 85%].

**79%** of residents satisfied with Council's roading network [target: 66%].

### OTHER TRANSPORT

includes aerodrome, parking & Port

**74%** of residents satisfied with availability of public parking [target: 80%].

### PROPERTY AND HOUSING

includes Council property & retirement housing

**97%** occupancy rate was achieved for our pensioner housing units [target: 95%].

### SOLID WASTE

includes refuse collection, refuse disposal & recycling

**94%** of residents satisfied refuse and recyclables are collected on time [target: 90%].

**12%** of waste collected was recycled - recycling was challenging in the last half of 2017/18 due to the collapse of the Chinese recycling market [target: 15%].

### STORMWATER

**80%** of residents satisfied with the way their property drains stormwater (urban and residential areas only) [target: 60%].

**18** There were 18 local road closures due to surface flooding, which all occurred as part of the storm event of 11 January 2018 [target: maximum of 30].

### WASTEWATER (SEWERAGE)

**70%** of residents satisfied with overall wastewater service [target: 67%].

**38** complaints received in 2017/2018 about Council's wastewater system, eg about odour, faults, blockages, response times etc - this is equivalent to 8 complaints per 1,000 properties (4,826 connections) [target: 9 complaints per 1,000 properties].

### WATER SUPPLY

**83%** of residents satisfied with appearance and taste of water [target: 90%].

**Nil** There were no notifiable water supply transgressions over the Greymouth (includes Dobson/Taylorville/Stillwater), Blackball and Runanga/Rapahoe water supplies [target over all water supplies: no more than one 1].



Work starting on protective rock wall in Cobden, Feb 2018



# Summary financial statements

Grey District Council is a public benefit entity (PBE). Council is classified as a Tier 2 reporting entity but has elected to report under Tier 1 and has applied full PBE Standards. The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards (PBE Standards) and authoritative notices that are applicable to entities that apply PBE Standards.

## Basis of preparation

Council has prepared the summary financial statements to give an overview of its performance. The specific disclosures included in the summary financial report have been extracted from the full audited Annual Report, which was approved and adopted by Council on 31 October 2018. The full financial statements comply with PBE standards and received an unqualified audit opinion.

Readers should note that the summary information contained here cannot be expected to provide as complete an understanding as provided by the full financial statements of the financial performance, financial position, cash flows, accounting policies and service performance measures of the Council. Users who would like additional information should read the full Annual Report, available online at [www.greydc.govt.nz](http://www.greydc.govt.nz) and Council offices.

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 PBE FRS 43: Summary Financial Statements.

## Summary Statement of Comprehensive Revenue & Expense for year ended 30 June 2018

	note	Actual 2017	Annual Plan 2018	Actual 2018
		\$000	\$000	\$000
Total revenue	1	26,128	26,265	25,784
Finance costs	2	(1,056)	(2,025)	(1,405)
Total operating expenditure (excl. finance costs)	2	(25,052)	(25,654)	(26,528)
<b>Net surplus/(deficit) before tax</b>		<b>20</b>	<b>(1,414)</b>	<b>(2,149)</b>
Income tax expense		-	-	-
<b>Surplus/(deficit) after tax for the year</b>		<b>20</b>	<b>(1,414)</b>	<b>(2,149)</b>
OTHER COMPREHENSIVE REVENUE & EXPENSE				
Movement in asset revaluation reserve		9,775	-	-
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>		<b>9,795</b>	<b>(1,414)</b>	<b>(2,149)</b>

### Significant variations from budget include:

Actual result is a net deficit of \$2.15m as compared to the budgeted deficit of \$1.41m. This negative variance of \$735,000 is attributable to a number of factors, most notably:

- Subsidies and grants revenue is less than budget by \$438,000. New Zealand transport Agency (NZTA) subsidies are less than budget by \$1,281,000 due to:
  - Council's reseal programme not being complete, resulting in Council not being eligible to claim approximately \$618,000 in subsidies for the associated work; and
  - The amount of 'emergency works - roading expenditure' (i.e. due to extreme weather events) being less than budget and therefore the associated NZTA subsidy not being required.
- Fees and charges revenue, less than budget by \$574,000. The main contributor here is relating to the closure of the Westland Recreation Centre pool for roof repairs, leading to a loss in user charges of approximately \$250,000. In addition to this, the overall income results for the Westland Recreation Centre are less than budget by \$250,000.
- Depreciation and amortisation expense: This is higher than

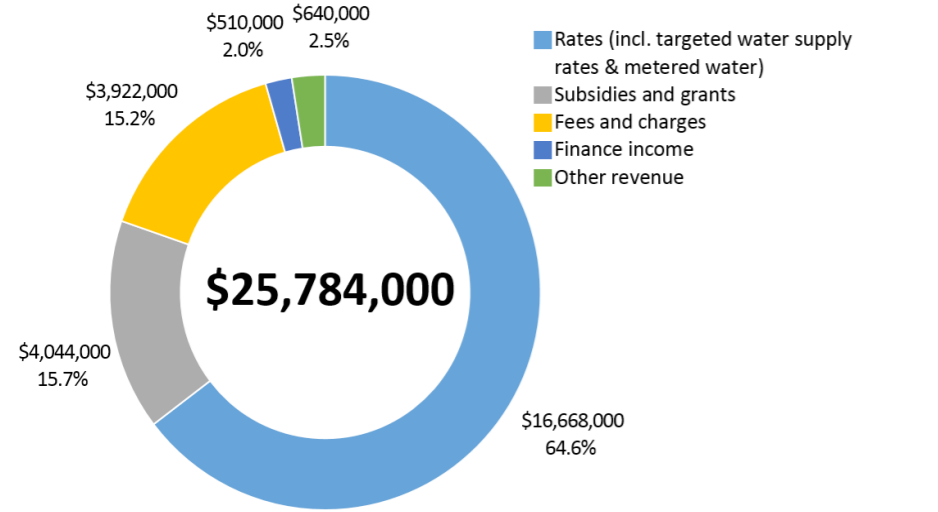
budgeted by \$560,000. The annual depreciation expense has increased this year as a result of the 2017 asset revaluations. The valuations are the latest best estimate of the replacement cost and remaining useful lives of Council infrastructure assets, the combination of which has increased the annual depreciation expense. This has no immediate direct impact on Council's operations as it is a non-cash expense. The increased amount was incorporated into financial forecasts for the LTP.

Other expenses are \$409,000 higher than budget. Included in this amount is the recognition of Council transferring the Moana Health Clinic to the West Coast District Health Board. This new facility was built under Council control, noting that the centre was largely funded through external fundraising. The external fundraising has been recognised as revenue in this year's accounts. Neither of these were included in the budget.

The above adverse results to budget are offset by finance costs, resulting in a saving compared to budget of \$620,000 due to overall borrowings being lower than budget and Council's average costs of borrowing (interest rates) being lower than budgeted.

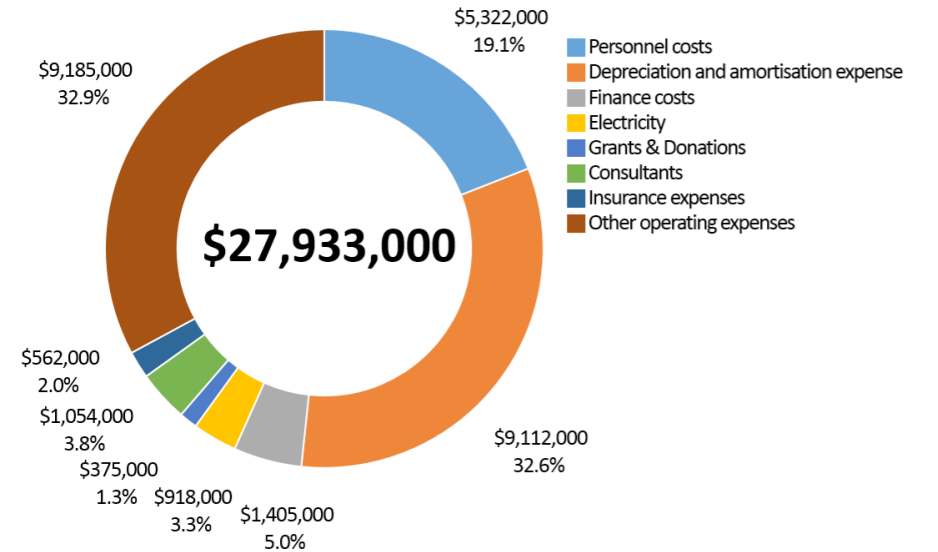
### NOTE 1: REVENUE

#### Sources of revenue



### NOTE 2: TOTAL OPERATIONAL EXPENDITURE (INCL. FINANCE COSTS)

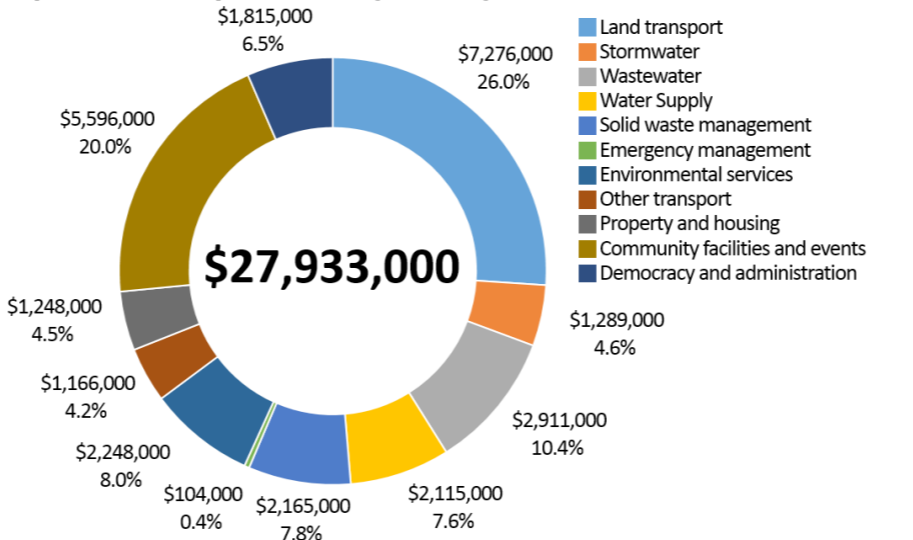
#### Operational expenditure by type



## Statement of Changes in Equity for year ended 30 June 2018

	Actual 2017	Annual Plan 2018	Actual 2018
	\$000	\$000	\$000
Balance at 01 July	381,536	403,603	391,331
Total comprehensive revenue and expense	9,795	(1,414)	(2,149)
<b>Balance at 30 June</b>	<b>391,331</b>	<b>402,189</b>	<b>389,182</b>

## Operational expenditure by activity



Total expenditure of \$27,933,000 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.

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

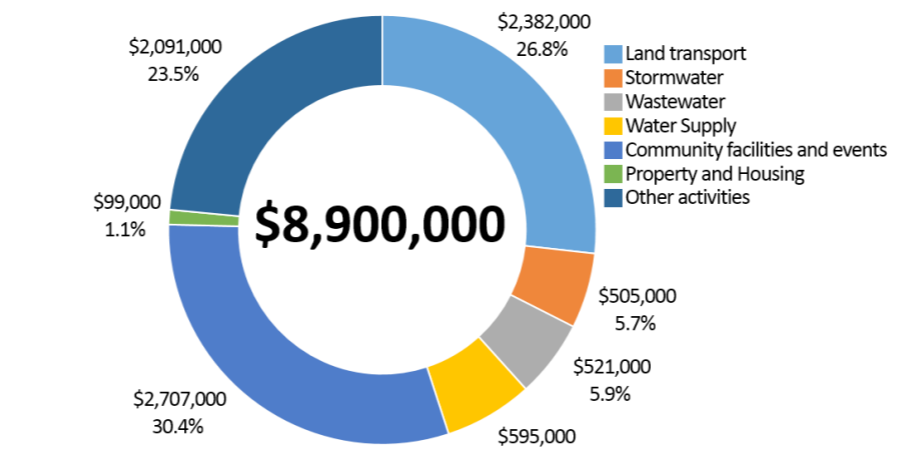
## Summary Statement of Financial Position as at 30 June 2018

	Actual 2017	Annual Plan 2018	Actual 2018
	\$000	\$000	\$000
Current assets	21,489	16,124	20,043
Non current assets	407,343	426,527	406,705
<b>TOTAL ASSETS</b>	<b>428,832</b>	<b>442,651</b>	<b>426,748</b>
Current liabilities	8,922	8,864	10,198
Non current liabilities	28,579	31,598	27,368
<b>TOTAL LIABILITIES</b>	<b>37,501</b>	<b>40,462</b>	<b>37,566</b>
Retained earnings	229,552	229,527	228,098
Special funds	10,031	8,566	9,315
Trusts, bequests and other reserves	177	173	198
Revaluation reserve	151,571	163,923	151,571
<b>TOTAL EQUITY ATTRIBUTABLE TO THE COUNCIL</b>	<b>391,331</b>	<b>402,189</b>	<b>389,182</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>428,832</b>	<b>442,651</b>	<b>426,748</b>

### Significant variations from budget include:

- Assets are less than budget by \$15.9m largely due to property, plant and equipment having a lower carrying value than budget by \$18.5m. This is attributable to:
  - The increase in value of classes of assets last year being \$12.4m less than anticipated in budgeting;
  - Key capital projects not being progressed as far as forecast in the budget. This includes McLeans Landfill expansion (new cell).
  - The annual depreciation expense (therefore reducing asset value) being higher than budget (refer to note for Statement of Comprehensive Revenue & Expense).
- Liabilities \$2.9m less than budget, largely due to total Council borrowings being less than forecast by \$4.8m. Due to some capital projects not proceeding per budget timelines, the associated borrowings are not yet required.
- Total equity is \$13.0m less than budget (refer to note for Statement of Changes in Equity).

## Capital Expenditure by Activity



Of the \$8,900,000 Council spent on replacing existing assets and acquiring/building new assets, the following are some of the more significant projects:

	\$000
Cell 3A, McLeans Landfill	748
Cobden protective rock wall	1,270
CBD renewal projects	1,247

## CAPITAL COMMITMENTS APPROVED & CONTRACTED

In addition to our operating and maintenance contracts, as at 30 June 2018 Council had remaining contractual commitments as follows:

Contract	Contractor	Minimum remaining commitment
Taylorville, Dobson & Kaiata Sewerage Scheme	Tru-Line Civil Ltd	\$98,846
Greymouth CBD Renewal Stage Two - Structural Work Canopy Leaves	Dispatch & Garlick Ltd	\$17,676
Greymouth CBD Renewal Stage Two - Glass Canopy Leaves	Total Glass Ltd	\$70,174
Runanga Water Treatment Plant Upgrade	McMillan Drilling Ltd	\$31,565
Left Bank Art Gallery Strengthening	Watts & Hughes Ltd	\$274,436
McLean's Pit Landfill - Cell 3A Construction	Grant Hood Contracting Ltd	\$552,175
Greymouth Sanitary Sewer Separation - Stage 4C	Tru-Line Civil Ltd	\$523,166
Slatey Creek Bridge Replacement	GT Liddell Contracting Ltd	\$509,407
Preston Road Storage Building	CYB Construction Ltd	\$156,655
Tarry Creek Pump Column Replacement	E-Quip Engineering Ltd	\$31,031
Cobden Dump Sea Protection Wall SP 1	MBD Contracting Ltd	\$115,208
Churchill Street Stormwater Upgrade	Westroads Greymouth Ltd	\$341,720
<b>TOTAL</b>		<b>\$2,761,800</b>

### Significant variations from budget include:

- Total comprehensive income being \$735,000 less than budget (refer to note for Statement of Comprehensive Revenue & Expense).
- Opening equity is \$12.3m less than budget as a result of last year's revaluation movement being less than anticipated when preparing the 2018 budget. It is noted that the 2018 budget is prepared and adopted well before the 2017 final actual result is known.

Council's net worth is the difference between Council's total assets and total liabilities. Net worth is represented in the financial statements by the balance of equity.

## Summary Statement of Cashflows for year ended 30 June 2018

	Actual 2017	Annual Plan 2018	Actual 2018
	\$000	\$000	\$000
Receipts from rates & other revenue	26,416	26,967	24,482
Payments to suppliers, employees and interest paid	(18,527)	(19,987)	(17,677)
<b>Net cash from operating activities</b>	<b>7,889</b>	<b>6,980</b>	<b>6,805</b>
Proceeds from sale of property, plant & equipment and investments	24,940	15,916	28,029
Purchase of property, plant & equipment and acquisition of investments	(29,576)	(23,923)	(35,190)
<b>Net cash from investing activities</b>	<b>(4,636)</b>	<b>(8,007)</b>	<b>(7,161)</b>
Proceeds from borrowings	5,000	6,973	4,000
Repayment of borrowings	(4,789)	(6,151)	(5,000)
<b>Net cash from financing activities</b>	<b>211</b>	<b>822</b>	<b>(1,000)</b>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	3,464	(205)	(1,356)
Cash, cash equivalents and bank overdrafts at the beginning of the year	2,006	7,492	5,470
<b>CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR</b>	<b>5,470</b>	<b>7,287</b>	<b>4,114</b>

### Significant variations from budget include:

Cash flow variations from budget largely reflect the variations as detailed in the other financial statement notes, most notably the variation in financing activities associated with Council requirements for new borrowing not being as high as forecast in the budget.

## SUMMARY OF CONTINGENT ASSETS & CONTINGENT LIABILITIES

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

- 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 uplifiting of a loan and has indicated to Council that they are unlikely to require the loan.
- Defined benefit superannuation scheme: Council has an ongoing commitment as a participating employer in the National Provident Fund's Defined Benefit Plan (contingent liability).
- Claim against Council: In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Grey District Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, three of which are located within the Grey District. At present there is insufficient information to conclude on potential liability and claim quantum, if any.
- 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 2018, the payments to be made to Council in the future totalled \$167,524 (2017: \$201,258).
- Storm damage - cost recovery: Council incurred storm damage to the Northern Breakwater at Greymouth on 1 February 2018 (ex tropical cyclone Fehi). Council has this asset insured as a part of its infrastructure insurance programme where these assets are covered to 40% of their indemnity value (depreciated replacement cost). The Ministry of Civil Defence will contribute up to 60%, less a Council deductible. Both these amounts are subject to the event being accepted as a natural disaster. As at balance date Council was working with both parties to advance the claims and expects to receive a total settlement of between \$650,000 to \$1,000,000.

# Auditor's report

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

### Independent Auditor's Report

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

The summary of the annual report was derived from the annual report of the Grey District Council (the District Council) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (reported in "Highlights and Achievements from the last 12 months" and "Performance by Activity") of the District Council.

### Opinion

In our opinion:

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

### Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

### The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 31 October 2018.

### Council's responsibility for the summary of the annual report

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

### Auditor's responsibility

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

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

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

Chantelle Gernetzky  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand  
21 November 2018