

# 2013/2014 ANNUAL REPORT SUMMARY

the COROMANDEL good for the soul . . .



# message

*from the Mayor & Chief Executive*

This summary annual report provides a snapshot of Council's performance in 2013/14.

It summarises our progress in delivering our vision that the Coromandel will be the most desirable area of New Zealand in which to live, work and visit. Everything we do is designed to help meet that goal, while also delivering the services, facilities and events that each community needs.

A notable event for the year was the local body elections last October which saw the majority of Councillors returned for another term and saw us welcome a number of new Community Board Members to strengthen our local community empowerment model. The June storm event was also notable for the amount of damage caused to both infrastructure and private land around the Coromandel.

Other expenses for the year came in under budget by approximately \$3 million. These operational savings contributed to us having the lowest operational costs per rateable property of any Council in the Waikato (according to the Taxpayer Union results).

We have continued to progress the anchor projects of Council, the Cathedral Coast Walkway, which is part of our greater Coromandel Great Walks project, the Coromandel Harbour Project. Council continues to support the further development of the Hauraki Rail Trail. The next section proposed is from Kopu through to Kaiaua. A highlight of this project was winning the Local Government New Zealand Excellence award for best local economic contribution, having exceeded all predicted economic benefits to the District. We congratulate our partners the Hauraki Rail Trust and Hauraki District Council for their part in this achievement.

Community Boards continue to make a significant contribution in the development of community projects. These have included (but are not limited to) upgrades in community infrastructure including halls, playgrounds, parks and harbours. Funding is also provided to events that celebrate local arts and culture, and provide economic development opportunities to each area. Boards are now responsible for 19 per cent of the council's operating expenditure.

A significant amount of our capital investment programme budget remained unspent as at 30 June 2014. In light of the findings from the external review of the Mercury Bay Sports Complex, we changed how we initiate capital projects to ensure that each project is desirable, viable and achievable making the process more robust. As a result, we continued to refine our approach to capital spending.

An additional outcome of this review was the disposal of an amount of work in progress from Council's balance sheet. This non-cash movement can in part be attributed to

**We have continued to progress the anchor projects of Council ...**



## A New Direction

When elected in October 2013, the new Council developed a fresh vision as its foundation and guiding principles for its three year term. The new direction has been a fundamental driver for the Council in leading the change evident in the organisation throughout the 2013/2014 year, and this direction plays an important role in every day Council business and decision making.

### *Council's Vision*

We will be a leading District Council in New Zealand through the provision of quality services and facilities, which are affordable, and delivered with a high standard of customer service.

We will earn respect, both as a good community citizen and through our support of community organisations, economic development and the protection of the environment.

Through our actions, the Coromandel will be the most desirable area of New Zealand in which to live, work and visit.

changes in project scope and removal of some expenditure on capital projects that cannot be included in the cost of the asset (under generally accepted accounting principles).

We have continued to improve our performance in delivering service levels. We achieved 81% of the measurable targets compared to 79% last year. 13 activities achieved 100% of their performance measures, up from 12 activities in 2012/13.

We would like to extend a very big thank you to our elected members and staff for their tireless effort and contribution throughout 2013/14. It has been another big year for us all with fantastic outcomes for our communities.

More detailed information can be found in the full Annual Report, which is available at [www.tcdc.govt.nz](http://www.tcdc.govt.nz), or a paper version can be viewed at our Customer Service Centres across the District.



  
**Glenn Leach**  
DISTRICT MAYOR



  
**David Hammond**  
CHIEF EXECUTIVE



# benchmarking

The Local Government (Financial Reporting and Prudence) Regulations 2014 came into force on 1 May 2014. Part 2 of the regulations requires us to disclose our financial performance in relation to various benchmarks. A complete picture of the results can be obtained from the full Annual Report. Following is a snap shot of the results that we obtained for the 2013/14 financial year.

## *Rates affordability benchmark*

- ✓ 75.8% of total revenue received by Council was rates income. Rates received must be capped at 80% of total revenue received.
- ✓ Rates rose by 1.89% for existing ratepayers. Council's limit was that rates must not rise by more than 1.9% in the 2013/14 financial year.

## *Debt affordability benchmark*

- ✓ Total external debt was \$45.4 million which is 80% of rates revenue. This is \$39.9 million under our total debt cap of \$85.3 million (150% of revenue).
- ✓ Interest on external debt was 5.2% of rates revenue. This was well within the limit set of 15%.

## *Balanced budget benchmark*

- ✗ Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) was 92% of total operating expenses. Council would meet this benchmark if revenue (as a proportion) of total operating expenses were greater than 100%.

This is partly due to the loss on disposal of assets and the fact that Council does not intend to fully fund from rates the depreciation on the additional capacity component of the Eastern Seaboard wastewater plants constructed in Tairua-Pauanui, Whitianga, and Whangamata and the subsidised portion of roading for these years. This decision was based on the premise that it would not be equitable for the existing ratepayer to fund the depreciation on the portion of these wastewater plants that were constructed for the benefit of future ratepayers, or on roading that has already been subsidised.

## *Essential services benchmark*

- ✗ Capital expenditure on network services was 66% of total depreciation on network services. Council would meet this benchmark if capital expenditure was greater than 100% of total depreciation charged.
- The reason that the benchmark not being met is due to the underspend on water, wastewater and stormwater capital projects. Since the budget was developed, greater scrutiny and rigour has been applied to our capital works programme, resulting in savings across these three activities.

## *Debt servicing benchmark*

- ✓ Council's borrowing costs are 4.1% of its revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment). Council meets this benchmark if its borrowing costs equal or are less than 10% of its revenue.



# key highlights

## FROM COMMUNITY BOARDS

Thames-Coromandel District Council has committed itself to greater local accountability through a community governance model. This is supported by enhanced Area Office capacity and delegating more responsibilities to Community Boards.

*Key highlights for each board include the following –*





## Thames

Hosting the first ever New Zealand Festival of MindSports in March of this year, upgrading and beautification of public spaces in partnership with local community organisations and working towards rehabilitating the western foreshore for coastal beach reserve and a habitat and nesting site for birdlife.



## Coromandel

Two preferred site options were identified for further development of the Coromandel Harbour Project. Membership of the Coromandel Harbour Stakeholders Working Group was also finalised in June of this year. Coromandel town also hosted the inaugural Illume Winter Festival of Lights. This showcased local artists and talent, united communities, supported economic development and business over winter and promoted the Coromandel as a destination where people want to come and live, play and visit.



## Mercury Bay

The Mercury Bay Multi Sports Complex facility was opened in September and was followed up by a well-attended family fun day in May. Further development of community spaces took place with the Hahei Community Centre successfully completing a building upgrade and kitchen refurbishment and the construction of the new ablutions at the Coroglen getting underway. Harbour facilities were also upgraded with a 40m long floating pontoon built out of recycled plastic was installed at Whitianga Wharf. Coastal erosion issues continue to be addressed with the construction of a 95m sea wall extension and the planting of thousands of native sand-binding plants and grass species along Buffalo beach. An on-going sand push out programme has also been established to replenish eroded areas of coastline with extra sand.



## Tairua-Pauanui

A working group was established to look at an Eastern Seaboard Coastal Management Plan. The group will focus on the coast from Paku in Tairua through to Otahu Estuary, Whangamata. Several tsunami open days took place throughout the area. Coastal and tsunami scientists who worked on this project were also at the open days and met with the public to talk about the latest research into the possible threat of tsunamis to the region. The Pauanui amenity building was also granted resource consent and is expected to be in place by Christmas.



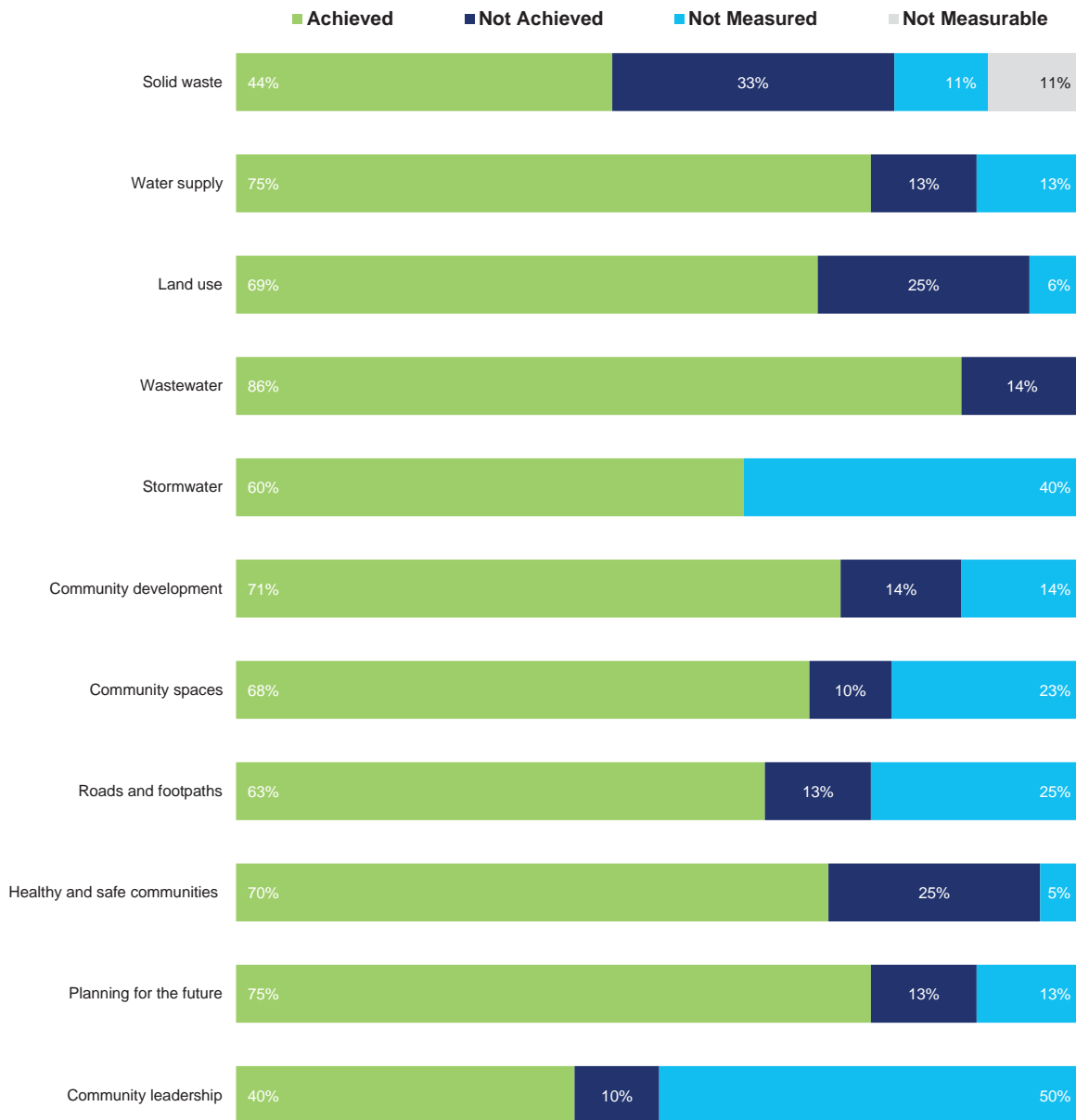
## Whangamata

Greater support was provided to the Beach Hop festival. The board extended the range of infrastructure costs it delivers to include barriers and portalooos in addition to rubbish collection and hireage of parks and reserves. The board is also supporting the development of the reinstatement of the Whangamata mountain bike track. This is recognised as an important local community resource and has the capability of attracting visitors from far and wide. Harbour facilities also received a boost with an extension to the Whangamata pontoon now allowing for up to four additional boats and the ability for the existing pontoon to be used in low tides (for small to medium boat owners) and safer access for all users.

**Our service performance has improved for the third consecutive year.**

# performance overview

This year we achieved 81% of our service performance targets. In 2012/2013, 79% of our service performance targets were achieved, which was up from 72% in 2011/2012. There were 13 activities, which achieved all of their performance measures up from 12 in 2012/2013.





# Activity group highlights

## *District leadership*

The Thames-Coromandel District Council elections for Mayor, councillors and community boards were conducted successfully.

## *Local advocacy*

All Community Boards demonstrated engagement with their communities in decision making in the 2013/2014 year. The community empowerment framework adopted by Council in 2012 was actively practiced by Community Boards and a number of significant projects were achieved using this model to partner with local communities.

## *Strategic planning*

A new approach to delivering demographic information has been implemented with a new online community profile site.

## *Land use planning*

Council finalised for public notification the proposed District Plan in October 2013. Following public notification, the Council received 1,236 submissions on the proposed District Plan (the submission period closed on 14 March 2014). These submissions were summarised and further submissions were called for in June 2014. A District Plan Hearings Panel has been formed to hear and consider submissions and any further submissions received on the proposed District Plan.

## *Hazard management*

Coast hazard policy framework continues to be developed and implemented along the eastern side of the peninsula. A project is underway to improve wind hazard maps to help improve consent guidelines, and public education on tsunami risk management strategies continued throughout the district.

## *Emergency management*

Council was audited by the Ministry of Civil Defence and Emergency Management (MCDEM). During this audit, a substantial improvement to the Group's overall performance was noted.

## *Building control*

This year saw a 9% increase in consent applications, which is a welcome indicator of increased economic activity. Council was also successful in retaining Accredited Building Consent Authority status. This is a difficult biennial assessment that determines whether we can continue to process building consents.

## *Community health and safety*

Council bought this activity back in house and selected six members to sit on the new District Licensing Committee. This Committee was tasked with ensuring that Council, and local groups/businesses as result, remained compliant with the new Sale and Supply of Alcohol Act.

The decision on whether to overturn Council's Freedom Camping Bylaw was still pending at the time of writing the annual report. Public consultation on the freedom camping, dog control and signs and parking bylaws were initiated throughout the year and the Council had a good public response with regards to them.

Prosecutions increased with regards to aggressive dog attacks within the District. Council's message to the public is that a "zero tolerance" policy will be adopted by Council staff with regards to any threat made to public safety by any dog in the District.

## *District Transportation*

The District resurfacing programme was completed in December 2013. Traction seals were completed on Kennedy Bay Road, Driving Creek Road and a short section of The 309 Road to improve traffic safety and reduce maintenance costs. Road pavement rehabilitation work was completed on approximately 500m of Purangi Road and 200m of Hill Street in conjunction with watermain, stormwater and footpath improvement works.

The majority of Council's road were re-opened within one day of the large storm events during April and June 2014. The Port Jackson Road suffered extensive damage in the June storm event and as a result took 3 days to re-open.

Minor road improvement works completed throughout the year. Some of the work included the replacement of the Wires Road ford (a joint HDC/TCDC project), intersection improvements, a guardrail installation and pedestrian safety improvements in Kuaotunu, Matarangi and Whitianga.

Council also completed various drainage improvement works (in conjunction with Council's road maintenance and renewal work programmes) and seal widening projects.

## *Local Transportation*

A number of local transportation projects were completed throughout the District.

Thames saw the completion of approximately 30 pedestrian safety treatments.

Pottery Lane was sealed and the footpath connection adjacent to SH25 in Manaia was completed in Coromandel-Colville.



Mercury Bay also saw pedestrian safety improvements completed and the Coghill Street car park access way opened. New footpaths were also created along Buffalo Beach Road, Purangi Road (Cooks Beach) and Matarangi Drive.

In Tairua-Pauanui, the Cory Park parking and drainage improvements as well as footpath extensions on Paku Drive, Jubilee Drive and Tui Terrace were completed.

Whangamata had a number of safety improvements associated with the SH25 Whangamata – Wentworth Valley Road walk/cycleway project completed as well the footpath on Kiwi Road extended.

### *Airfields*

Security gate and fencing was installed at the Thames airfield in June 2014. This was to rectify the safety issue of the public being able to access the working area of the airfield without prior arrangement.

### *Cemeteries*

A project to scan all the paper records into an electronic format is underway. This project will preserve historical cemetery data and will progressively improve the accessibility and quality of burial information.

### *Community centres and halls*

Several halls and community centres successfully completed upgrades to building infrastructure and amenities during the year. These included the Hahei Community Centre, the Coromandel Citizens Hall and the Whangamata War Memorial Hall. Construction of the new ablutions at the Corogeln Hall also now underway and expected completion at the end of August 2014.

### *Public conveniences*

Maintenance of public conveniences continued throughout the year. The major project completed this year was the successful renovation of the Te Puru Boat Ramp toilet. This toilet was successfully lifted above flood level and refurbished.

### *Harbours*

The boat ramps continue to be well utilised and offer an important service to both local residents and visitors. A new

pontoon and boat ramp extension in Whitianga improved trailer boat launching facilities. Whangamata also saw its existing pontoon extended to enable better low tide use for small to medium size boat owners. This work also made the pontoon easier and safer to access for all users.

### *Libraries*

A number of community programmes and initiatives were offered throughout the year. Highlights included the ‘Kids Get Active’ programme which attracted 564 children across the District and the ‘Rug up and Read’ programme, which encouraged people to look at different authors and genres. In addition to this, two anthologies were published as a result of creative writing classes with youth and residents of the Aged Care Facility in Tairua.

### *Parks and reserves*

A number of major projects occurred this year. The Hauraki House Playground in Coromandel was renovated and upgraded in time for Christmas. The Hauraki Terrace Playground in Thames was also renovated and upgraded with community and Council staff involvement. Council staff worked with pupils from Thames South School on the design and equipment that has been installed. The Island View reserve in Whangamata also saw the creation of a new playground. A new pay and display system was also introduced at Hot Water Beach. Revenue from the carpark will be used to offset tourism infrastructure costs in the wider Mercury Bay area.

### *Swimming pools*

The Thames Pool is operating at a much improved level under current management and initiation of the Thames Valley Swim Academy bodes well for increased utilisation. The Thames Swimming Pool got a long overdue repaint in April 2014 when it was drained and repainted for the first time in 12 years.

### *Economic development*

The Economic Development Strategy and Action Plan was launched in November 2013 and following a consultation period – was adopted by Council 18 December 2013. A new Economic Development Committee was established and





held its inaugural meeting on 14 November to ensure the outcomes and initiatives outlined in the strategy and action plan are progressed. Major projects include the Coromandel great walks feasibility study and the major events contestable fund (which is for events that have potential to become iconic Coromandel events).

### *Social development*

Council adopted a Youth Strategy in October 2013 and an action plan to support the strategy is being developed with community partners, agencies and young people. Following on from the development of the Disability Strategy (in 2012), a work programme is also being developed to help improve accessibility issues that have been identified throughout the District.

### *Stormwater*

A number of stormwater projects and programmes were completed over the year. Major renewals were undertaken in Parawai Road and Hill Street. Bellona Road in Whangamata also had work completed to ensure greater soakage capacity during periods of intense rainfall.

### *Wastewater*

Renewal works were undertaken in Parawai and Thames in conjunction with the Stormwater works. The only works undertaken were those assessed as essential, meaning not undertaking them was likely to have an immediate impact on levels of service. The focus this year has also been on developing more robust asset data information to ensure that unnecessary works are not undertaken. This is a long-term project consisting of both a revised asset management plan (10 years) and a 30-year infrastructure strategy. These plans are being prepared to inform future priorities in the 2015-2025 Long Term Plan.

### *Land use management*

Council continued to keep abreast of legislative changes as a result of the Resource Management Act Amendment 2013. A key objective flowing through this amendment is to create an effective and efficient consenting system.

### *Land information memorandum (LIM)*

LIM requests hit figures not seen since 2007. 1285 requests were received during the year with 153 received in January alone.

### *Natural and cultural heritage*

The Heritage Hauraki-Coromandel Forum commissioned work to be completed on a 'heritage' paper which would then be up-loaded on to the Destination Coromandel website. It is envisioned that this web content will positively contribute toward heritage related tourism on the Coromandel and to increase the profile of several heritage related attractions on the Peninsula.

### *Water*

Several projects took place throughout the year. Filters at the Omaha supply were upgraded. These new filters will enable greater continuity of supply during heavy rainfall events when the stream quality is low. In addition to this, an iron reduction filtration system was designed and installed in Whangamata at the Wentworth Valley water supply reservoir and the timbertank water supply reservoir in Matarangi had a new roof and roof liner installed.

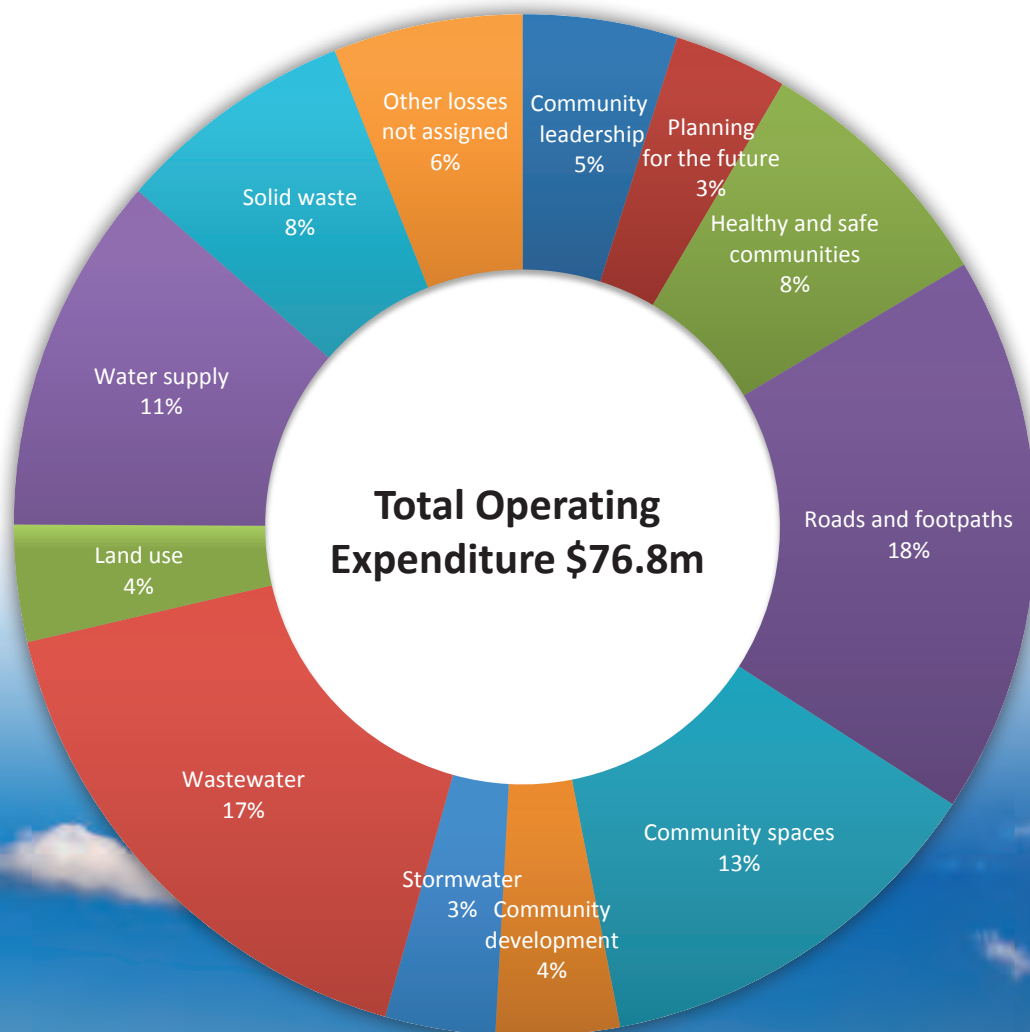
### *Solid waste*

The solid waste shared services contract across the three Thames Valley Councils commenced in October 2013. The Whangamata closed landfill was capped the first set of 'bin-banks' was completed in Mercury Bay. These are a trial for collection services for rural side-roads off the state highway network.

# how your money was spent

Council divides its business into 11 activity groups. Each group is funded by a combination of rates, user charges, loans and subsidies.

This graph shows a summary of the expenditure incurred by each activity group.



# summary financial statements

Statement of Comprehensive Income <i>for the year ended 30 June 2014</i>	2014		2013
	Budget	Actual	Actual
	\$000's	\$000's	\$000's
Rates revenue excluding targeted water supply rates	55,533	54,930	53,970
Fees, charges and targeted rates for water supply	11,335	10,440	9,737
Other revenue	7,739	9,724	8,772
<b>Total Revenue</b>	<b>74,607</b>	<b>75,094</b>	<b>72,479</b>
Personnel costs	13,253	13,874	12,994
Depreciation and amortisation	18,726	18,606	17,877
Finance costs	3,748	2,927	3,830
Other expenses	39,766	41,346	36,567
<b>Total Expenditure</b>	<b>75,493</b>	<b>76,753</b>	<b>71,268</b>
Share of joint venture surplus/(deficit)	0	15	12
<b>Surplus/(deficit)</b>	<b>(886)</b>	<b>(1,644)</b>	<b>1,223</b>
Gains on revaluation of property, plant and equipment	21,159	12,403	25,881
Losses on revaluation of financial assets	0	(6)	0
<b>Total other comprehensive income</b>	<b>21,159</b>	<b>12,397</b>	<b>25,881</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>20,273</b>	<b>10,753</b>	<b>27,104</b>

Statement of Financial Position <i>as at 30 June 2014</i>	2014		2013
	Budget	Actual	Actual
	\$000's	\$000's	\$000's
Total current assets	7,429	8,616	6,901
Total non-current assets	1,326,005	1,292,027	1,288,000
<b>Total assets</b>	<b>1,333,434</b>	<b>1,300,643</b>	<b>1,294,901</b>
Total current liabilities	19,488	18,543	27,931
Total non-current liabilities	74,741	53,163	48,786
<b>Total liabilities</b>	<b>94,229</b>	<b>71,706</b>	<b>76,717</b>
Accumulated funds	383,046	374,678	377,703
Other reserves	856,159	854,259	840,481
<b>Total equity</b>	<b>1,239,204</b>	<b>1,228,937</b>	<b>1,218,184</b>
<b>NET ASSETS AND TOTAL EQUITY</b>	<b>1,239,204</b>	<b>1,228,937</b>	<b>1,218,184</b>

Statement of Changes in Equity <i>for the year ended 30 June 2014</i>	2014		2013
	Budget	Actual	Actual
	\$000's	\$000's	\$000's
Balance at 1 July	1,218,931	1,218,184	1,191,081
Total comprehensive income	20,273	10,753	27,104
<b>BALANCE AT 30 JUNE</b>	<b>1,239,204</b>	<b>1,228,937</b>	<b>1,218,184</b>

Statement of Movements in Cash Flow <i>for the year ended 30 June 2014</i>	2014		2013
	Budget	Actual	Actual
	\$000's	\$000's	\$000's
Net cash inflow/(outflow) from operating activities	15,961	17,582	20,382
Net cash inflow/(outflow) from investing activities	(28,616)	(12,978)	(22,587)
Net cash inflow/(outflow) from financing activities	12,919	(3,552)	1,545
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>264</b>	<b>1,052</b>	<b>(660)</b>
Cash and cash equivalents at the beginning of the year	42	163	823
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>306</b>	<b>1,215</b>	<b>163</b>

## Key items explained

### Rates revenue, excluding targeted water supply rates

Rates are set annually by resolution of Council.

### Fees, charges, and targeted rates for water supply

Includes water by volume and fee and charges for Council services.

### Other revenue

Other revenue includes income from;

- Vested assets which are infrastructure assets and land given to Council;
- Development contributions which are collected to fund capital expenditure required to meet increased demand for community facilities resulting from growth and new development within the District;
- Subsidies which are received from the NZ Transport Agency to assist in the funding of approved roading programmes;
- Non-cash items arising principally from the revaluation of Council's interest rate swaps;
- Any other sundry sources.

### Personnel costs

Personnel costs include salaries, wages and any other employee related costs.

### Finance costs

Costs of external debt such as interest charges.

### Other expenses

All other operating expenses.

### Surplus/(deficit)

Is the difference between revenue and expenditure for the current year. It does not include capital transactions such as the purchase or construction of assets. It includes non-cash items (i.e. depreciation).

### Other comprehensive income

Includes gains on revaluation of property, plant and equipment and losses arising from investment in other entities.

### Current assets

Assets expected to be converted to cash over the next 12 months such as cash and accounts receivable.

### Non-current assets

Assets expected to be held for longer than one year such as buildings, roads, parks and water assets.

### Current liabilities

The amount we owe to others that is due to be paid within 12 months such as creditors and the short-term borrowings.

### Non-current liabilities

The amount we owe to others that is not due to be paid within 12 months such as long-term borrowings.

### Net assets

Net assets equals total assets less total liabilities.

### Equity

Equity is the same as net assets, i.e. what we own, less what we owe.

### Net cash inflow/(outflow) from operating activities

Is the difference between operating revenue and operating expenses.

### Net cash inflow/(outflow) from investing activities

Is the difference between buying and selling assets and investments.

### Net cash inflow/(outflow) from financing activities

Is the difference between borrowing and the repayment of loans.

### Capital expenditure

Funds used to acquire an asset or improve the useful life of an existing asset.

# Explanations for key variances from the budget

## Revenue items

### Rates revenue, excluding targeted water supply rates

Rates revenue, excluding targeted water supply rates decreased \$0.6 million to budget. The main reason for the variance is that the budgeted figure does not take into consideration remissions of \$0.5 million. The remaining variance relates to an increase in penalties.

### Fees, charges, and targeted rates for water supply

Fees, charges and targeted rates for water supply decreased \$0.9 million to budget. Targeted water supply rates were under budget by \$0.4 million due to less demand than anticipated. Solid waste collection revenue including the sale of rubbish bags was under budget by \$0.3 million. The reduced solid waste and rubbish bag revenue is a direct result of diversion. This means that more waste was diverted away from landfills as a result of an increase in recycling. The remaining variance of \$0.2 million is a result of a number of small movements across all activities with fees and charges.

### Development and financial contributions

Development contributions increased to budget by \$0.6 million. The favourable increase is due to an increase in the number of building and resources consents received and processed. In addition to this, a number of consents issued in prior years have also been given effect within this financial year due to favourable economic conditions. As a result, these became liable for development contributions (as per our Development Contributions Policy). The areas that have seen the greatest increase in development contributions revenue are Mercury Bay, Tairua/Pauanui and Whangamata.

### Subsidies and grants

Subsidies and grant revenue was \$0.7 million lower than budget due to a decrease in the subsidy revenue received from New Zealand Transport Agency. This is directly related to the amount of money the Council spends on the roading activity, whether capital expenditure or operating expenditure. The actual spend on maintenance work, pavement treatment and sealed roads for the year was lower than anticipated.

### Other revenue

Other revenue is greater than budget by \$0.8 million. This is mainly attributable to higher than anticipated amounts of vested assets provided to Council. Vested assets are mainly infrastructural assets received from developers once a subdivision is complete. This is a non cash item and is subject to the number of subdivisions that are completed during the year. Assets worth \$1.2 million have been vested in Council and this was due the increased subdivision activity in the present economic climate.

### Gains

Gains were greater than budget by \$1.3 million. The gain is due to the 'spot' or 'floating' interest rates payable on our borrowings increasing over the past 12 months compared to those interest rates that have been fixed by Council as part of the interest rate swap.

## Expenditure items

### Personnel costs

Personnel costs increased to budget by \$0.6 million. Redundancy payments were \$0.1 million over budget. A 2.5% salary increase was budgeted for, however the actual increase was 3.3% resulting in an increase from budget of \$0.1 million. The remaining variance is due to unbudgeted positions that were filled to advance improvements with projects and other areas across the organisation.

### Finance costs

Finance costs decreased to budget by \$0.8 million because the actual borrowings were significantly below budget for the year. This was influenced by Council's capital expenditure being significantly under budget for both the 2012/13 and 2013/14 financial years. When prudent to do so, Council has moved some of its bank funded debt to the Local Government Funding Agency to take advantage of cheaper interest rates.

### Other expenses

Other expenses are under budget by \$3.0 million. This is mainly attributable to cost savings across the organisation.

## Other comprehensive income

### Gains

Gains were under budget by \$8.8 million. The asset revaluation movements were lower than budgeted. The cost adjustment factors (derived from the CPI, PPI and labour adjustment indexes) were all lower than that originally anticipated when the budget was prepared.

## Assets

### Cash and cash equivalents

The increase in cash and cash equivalents of \$0.9 million from budget was due to Council receiving the NZTA refund and the GST refund totalling \$0.5 million on the 30 June. Council also drew down a loan on 23 June of \$5.0 million – of which \$2.3 million was used to repay part of our ANZ loan facility and \$2.1 million was used for the final cheque run – which was less than that anticipated. The remaining balance was placed on call.

### Investments in CCOs

Investments in CCO's was not budgeted for, therefore the actual investment of \$0.8 million represents the movement for the year. As part of the Local Government Funding Agency lending facility, Council is required to obtain borrower notes as part of the drawdown. The investment in CCO's of \$0.8 million mainly represents the increase in borrower notes obtained by Council as part of that lending facility.

### Intangible assets

Intangible assets were under budget by \$2.1 million. The budget is made up of the opening book value as at 1 July 2012 (\$7.3 million) plus the budgeted intangible additions for the 2012/13 financial year and the 2013/14 financial year of \$1.0 million. The majority of the additions budget (\$1.0 million) related to the resource consent for the Aquaculture Project. This project had no spend against it in the 2013/14 financial year. The spend that was incurred in the 2011/12 & 2012/13 financial years of \$0.2 million was subsequently disposed of due to the project revising its scope. The remaining movement related to this year's other work in progress disposals and reclassifications made between tangible and intangible assets. These changes contributed to approximately \$0.4 million of the variance. The unbudgeted accumulated depreciation charge (incurred in the 2013/14 financial year) for the Thames Valley and Matatoki Water resource consents also contributed to approximately \$0.2 million of the variance.

### Property, plant and equipment

Property, plant and equipment was under budget by \$32.2 million. The budget is made up of the opening book value as at 1 July 2012 (\$1,249.1 million) plus the budgeted tangible additions and revaluation surplus for the 2012/13 financial year and the 2013/14 financial year of \$53.0 million and \$49.0 million, respectively. This total was offset by budgeted depreciation of \$36.9 million. The total additions over this time however, only amounted to \$34.8 million. This produced a shortfall compared to budget of \$16.6 million. During the year we had a serious look at our capital works programme. We prioritised what we can afford to do and applied greater scrutiny and rigour to planned projects. As a result budgets were reduced, and projects that were not considered a priority this year have been carried forward to future years. Asset revaluation movements were also lower than that originally anticipated by approximately \$11.5 million. The cost adjustment factors (derived from the CPI, PPI and labour adjustment indexes) were all lower than that originally anticipated.

## Liabilities

### Creditors

Creditors were under budget by \$1.2 million. This liability fluctuates on a regular basis due to the timing of workload relative to year end. Both operational and capital expenditure were lower than that budgeted due to the deferral of capital works and operational savings made across the organisation. As such, creditors at year end were lower than that anticipated.

### Derivative financial instruments

Derivative financial instruments was 3.1 million below budget. Changes in the quantum and value of derivatives have led to the variance. Due to the inherent difficulties in predicting valuations derivatives are difficult to budget for but there is no funding impact.

### Borrowings

The difference between that budgeted in the balance sheet for borrowings and actual borrowings is \$20.7 million. The difference is due to Council having a lower debt requirement due to scaling back capital expenditure and placing tighter controls on operational expenditure.

### Provisions

Provisions increased by \$2.4 million to budget. There was a significant upward movement in the weather tight homes provision and reserve contributions provision over the previous two years. This has resulted in a higher opening position than that originally budgeted for.

## *Reporting entity*

Thames-Coromandel District Council (Council) is a territorial local authority governed by the Local Government Act 2002. The Council is designated as a public-benefit entity for financial reporting purposes and is considered an individual entity for reporting purposes.

## *Basis of preparation*

### **Statement of compliance**

This Summary Annual Report is for the year ended 30 June 2014 and was authorised for issue by the Chief Executive on 12 November 2014. The full Annual Report was also adopted by Council and approved for issue on 22 October 2014.

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

They also comply with the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Council confirms that all other statutory requirements relating to the Annual Report have been complied with. This Summary Annual Report has been prepared in accordance with the Financial Reporting Standard 43 (FRS 43) Summary Financial Statements.

### **Measurement base**

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

### **Change in reporting format from prior years**

There have been changes in the reporting format from prior years to comply with the presentation requirements under NZ IAS 1.

### **Change in accounting policies**

There have been no changes in accounting policies during the financial year.

## *Contingent liabilities*

Contingent liabilities, which are dependent on other future events, are \$13.0 million (2013 \$9.0 million). Of this, \$10.3 million relates to possible future claims against Council for damages relating to leaky buildings and \$1.9 million relates to financial guarantees given to a number of sporting and community organisations bank loans.

## *Subsequent events after balance date*

There have been no events after balance date.

## *Reclassification*

Council has changed some of the prior year comparatives to conform with this year's presentation. The effect of the reclassification on the financial statements is detailed in note 35 of the full annual report.

## *Disclaimer*

The specific disclosures in this Summary Annual Report have been extracted from the Council's full Annual Report. The Summary Financial Statements do not include all the disclosures provided in the full Annual Report.

This Summary Annual Report cannot be expected to provide as complete an understanding as provided by the full Annual Report of the financial and service performance, financial position and cash flows of the Thames-Coromandel District Council.

The Summary has been examined for consistency with the full Annual Report that was audited by Audit New Zealand on behalf of the Office of the Auditor-General. The full Annual Report received an unmodified audit opinion on 22 October 2014.

A copy of the full Annual Report can be obtained from any of our customer service centres and libraries or on our website at: [www.tcdc.govt.nz](http://www.tcdc.govt.nz)



**Independent Auditor's Report**

**To the readers of  
Thames-Coromandel 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 Thames-Coromandel 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 2 to 16:

- 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 movements in cash flow 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 (made up of "Performance Overview" and "Activity group highlights") of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 22 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 (PBE): *Summary Financial Statements*.

**Basis of opinion**

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

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 22 October 2014 on the full audited statements.

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*.

In addition to reporting on the summary annual report, we have reported on the full annual report, and carried out a range of other assurance engagements in the areas of the District Council's Debenture Trust Deed, and the probity assurance work over the process to consider the renewal of Veolia Water contracts for provision of water services, which are compatible with those independence requirements. Other than this reporting and these assignments, 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  
12 November 2014



515 Mackay Street, Thames 3500  
Private Bag, Thames 3540  
Phone: 07 868 0200 Fax: 07 868 0234  
customer.services@tcdc.govt.nz  
www.tcdc.govt.nz

