



ANNUAL REPORT 2017/18



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Message from the Chief Executive and Mayor | Mai i te Kaiwhakahaere Wahine a Te Meia

Welcome to our 2017/2018 Annual Report. We are pleased to provide this overview of what our Council has been delivering over the year 1 July 2017 to 30 June 2018.

Once again, this has been a busy year for Council as we have been committed to delivering our core services well and responding to new developments to deliver many positive outcomes for our Thames-Coromandel communities.

A major focus for elected members and staff over the last twelve months was completing the 2018-2028 Long Term Plan, our key budget and planning document which serves as a roadmap for budgets, projects and services for the next ten years. Every three years it is renewed.

The Long Term Plan also identifies some of the challenges and opportunities we see on the horizon for our district. Working with our communities is central to this process, and we were delighted with the huge number of submissions on our consultation document – 784 all up. It was pleasing to see our communities so engaged and taking the time to participate in local democracy.

You can find out more about our Long Term Plan through visiting our website – or feel free to pop into one of the Council offices.

We had a number of highlights in the 2017/18 year; including:

- Upgrade of the Thames Water Treatment plant to make it compliant with drinking water standards, as well as chlorinating the Hahei and Pauanui water supplies to ensure those communities can rely on safe drinking water.
- Resolving appeals to the District Plan. We are pleased to report 33 of 72 appeals have now been entirely resolved, bringing us much closer to the new District Plan being made fully operative.
- The Jack McLean Community Recreation Centre in Thames opened on 16 February 2018. This facility is already being well used and demonstrates a successful partnership between Council and the Ministry of Education.
- We processed 331 resource consents. While this was down on 2016/17 (395 consents), the volumes demonstrate there continues to be momentum for development in our district.
- Sealing the remaining 2.2km of the Kauaeranga Valley Road up to the Department of Conservation visitor centre.
- Completing much of the work on the Whitianga Town Centre upgrade. (This is scheduled to be completed by October 2019).
- We experienced some heavy-hitting weather this year. Of particular note, was the January 5 storm event that affected our communities on our western Thames Coast. Despite the challenges we faced, the response and recovery demonstrated the community could cope, be resilient and rebuild quickly.

Covering 400 kilometres, our Coromandel district has one of the largest coastlines in the country, and our council is focused on building 'resilient' coastal communities that can respond to and recover from these sorts of hazards, which are common to many parts of New Zealand.

This year we adopted our Coastal Management Strategy, which sets out a range of initiatives we will be taking over the coming years to better manage our coastal assets and understand the risk of coastal inundation and coastal erosion. The 2018-2028 Long Term Plan includes \$2.6 million over three years to support us implementing this strategy.

With the 2018-2028 Long Term Plan complete, we have been able to hit the ground running for this new financial year, with a sharp focus on the services and facilities our communities have told us they want to see in our district.

Council remains committed to delivering the best service to you, our customer, and ensuring the communities of the Thames-Coromandel district are great places to live, work and visit.

Please continue to take the time to engage with us and let us know how we are doing and where there is room for improvement in our service delivery. Let's keep talking and growing together, in the 2018/19 year and beyond.



Sandra Goudie
Mayor



Rob Williams
Chief Executive

Introduction | Whakataki

What is the Annual Report?

In June 2015 the Council adopted its 2015-2025 Long Term Plan. This final annual report of that Long Term Plan focuses on the performance measures and levels set as part of the 2015-2025 Long Term Plan and reflects the Council's mission and vision.

For every activity we explain what we did compared to what we said we'd do, what it cost and how we performed against budget:

- to ensure consistent decisions and actions are made across our business
- to show the public what we've achieved, what we haven't achieved and to provide transparency on our decision-making processes to the public
- to be efficient in the way we work – one well thought-out decision in the form of a policy can be applied to many cases, and staff working within the business have a framework to help them get on with the job
- to meet legal requirements.

Council's vision, values and outcomes

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.

Council's values

- Displaying empathy and compassion
- Fiscally responsible and prudent with ratepayers money
- Integrity, transparency and accountability in all our actions
- Treating all employees fairly and evenly in accordance with good employer practice
- Being a great place to work where staff are inspired to be the best they can
- Working with and having meaningful and on-going consultation with all of our communities
- Creating strong partnerships with our district's iwi
- Having pride in what we do
- Being a highly effective and fast moving organisation

Council outcomes

On behalf of the Coromandel Peninsula, the Council will aim to achieve:

- A prosperous district - the Coromandel Peninsula has a prosperous economy
- A liveable district - the Coromandel Peninsula is a preferred area of New Zealand in which to live, work and raise a family and have a safe and satisfying life, and
- A clean and green district - the Coromandel Peninsula's natural environment provides a unique sense of place

| Activity Group | A prosperous district | A liveable district | A clean green district |
|--|-----------------------|---------------------|------------------------|
| Roads and footpaths | ▲ | ▲ | ▲ |
| Stormwater | | ▲ | ▲ |
| Wastewater | ▲ | ▲ | ▲ |
| Water supply | ▲ | ▲ | ▲ |
| Rubbish and recycling | | ▲ | ▲ |
| Representation | ▲ | ▲ | ▲ |
| Planning and Regulation | ▲ | ▲ | ▲ |
| Protection of people and the environment | | ▲ | ▲ |
| Community spaces and development | ▲ | ▲ | ▲ |
| Economic development | ▲ | ▲ | |

Independent Auditor's Report

To the readers of Thames-Coromandel District Council's annual report for the year ended 30 June 2018

The Auditor-General is the auditor of Thames-Coromandel District Council (the District Council). The Auditor-General has appointed me, Athol Graham, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 30 October 2018. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 50 to 112:
 - present fairly, in all material respects:
 - the District Council's financial position as at 30 June 2018; and
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards;
- the funding impact statement on page 113, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- the statement of service performance on pages 17 to 49:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2018, including:

- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 19 to 49, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Annual Plan; and
- the funding impact statement for each group of activities on pages 113 to 123, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Annual Plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 12 to 16, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information and, where applicable, the District Council's long-term plan and annual plans.

Basis for our opinion on the audited information

We carried out our audit 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. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan. We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 4, 9 to 11, 50 to 51, and 124 to 128, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the District Council's 2018-28 Long-Term Plan, performed a limited assurance engagement related to the District Council's debenture trust deed and provided assurance services in relation to procurement processes undertaken by the Council. Other than these engagements, we have no relationship with, or interests in, the District Council.



Athol Graham
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Highlights

We did a lot in the 2017/18 year. We've had some great highlights, along with a few challenges. These are shared below for each of our activities.

Coromandel-Colville community spaces and development

A new community stage has recently been constructed in Coromandel. This stage was a collaboration between the local Coromandel community, TCDC and the Driving Creek Railway Trust, with the design of the performance stage paying tribute to the late Barry Brickell - potter and local visionary. The stage includes LED lights and incorporates Barry Brickell's Rail Wheels to make a unique community asset that can be used by local performers and musicians.

Mercury Bay community spaces and development

We have completed construction of a new two stall toilet at the Hahei visitor car park. The project was part funded by the Tourism Infrastructure Fund (TIF) in partnership with the Ministry of Business, Innovation and Employment (MBIE). We also completed the construction of a new wave themed toilet at Hot Water Beach.

Widening of the existing boat ramp and installation of a pontoon at Matarangi was completed.

The Whitianga town centre upgrade is underway and is due for completion by October 2019.

Tairua-Pauanui community spaces and development

In Tairua we upgraded the access track to the Paku summit with new steps and track remetalling. We also completed the upgrade to Tairua wharf. The Tairua Information Centre moved into the Tairua Library meeting room to provide a more collegial community and visitor centre.

In Pauanui we upgraded four of the Pauanui Waterways tennis courts, installing tigerturf; along with the Gallagher Park flying fox.

Thames community spaces and development

The Jack McLean Community Recreation Centre officially opened in February 2018. The Centre is a joint community and school facility that comprises two indoor courts, four changing rooms, two accessibility changing rooms/toilets, communal lockers along with a multi-purpose meeting room.

Four local schools in the "Trees for Survival" programme partnered with TCDC to undertake planting at 4 reserves around Thames, adding 500 trees to the ongoing winter planting project. A new community garden has been established at Hauraki Terrace in partnership with Transition Town Thames.

The Thames Mountain Bike Club installed a new bridge across the Karaka Stream, bridging a gap that had been a problem for access at high water for the last 25 years. A combination of grant money from TCDC, NZ Trail Fund, with local business donations and volunteer labour produced a much needed asset to the local track connecting Thames to the Coromandel Forest Park.

The peninsula's first natural burial cemetery opened in Omahu and has seen three interments with several plots pre-sold. There is space for approximately 104 burial sites. Sites can be marked with unobtrusive markers made from natural stone or untreated wood. A landscape plan for native trees and shrubs will make it a peaceful place to visit and reflect.

Whangamata community spaces and development

This year saw an upgrade to the Aickin sports field irrigation bore. Work was also undertaken to spruce up Williamson Park with an upgrade in time for the summer season. We are continuing to work on providing shade structures and amenities such as barbecues to further improve the ambience and use of the park.

Roads and footpaths

1460 streetlights were upgraded from the traditional type (high pressure sodium and mercury vapour) lanterns to light-emitting diode (LED) lights during 2017/18. The balance of the LED upgrade work programme is planned for completion by June 2019.

Sealing of the last 2.2km section of Kauaeranga Valley Road up to the Department of Conservation (DOC) Visitor Centre was completed in May 2018. The total cost of the improvements was just over \$1M and was a joint funded project between TCDC and DOC. In addition to sealing the road, other works completed as part of the seal extension project included drainage improvements, carriageway widening and strengthening.

Bluff Road between Matarangi and Rings Beach was re-opened to pedestrians and cyclists prior to Christmas 2017 following significant geotechnical and engineering work to create a stable rock face.

The roading portion of the Hannaford Jetty Improvements project was completed in May 2018. It involved sealing of the parking/turnaround area and installation of a solar powered streetlight. This will provide an area for buses to safely turn, collect and drop off passengers who use the Auckland to Coromandel ferry service and maximise the parking for other Hannaford's wharf users.

We also launched the "Stay Alive on 25" road safety campaign. State Highway 25 has 270km of fully sealed road and approximately 983 curves. In 2016 1.4 million vehicles drove on SH25A with on average 40-50 motorcycles riding the Coromandel Loop each day. The campaign involves extensive advertising and encourages people to adhere to basic road rules to ensure they have a safe journey.

Stormwater

The Sarah Ave, Whitianga stormwater upgrade was completed. This project focused on flood mitigation risks to local residents and included the installation of large capacity inlets and underground storage.

Wastewater

Whitianga Wastewater Treatment plant optimisation was completed. Renewal of the Waikato Regional Council Hahei Wastewater Treatment discharge consent was granted. Hahei Wastewater Treatment Plants upgrades to the aeration ponds were completed along with upgrades to the Matarangi Wastewater aeration and filters.

Water supply

The upgrade of the Thames Water Treatment plant was completed to make it compliant with the NZ Drinking Water Standards. Chlorination of the Hahei and Pauanui water supplies was undertaken along with continuation of the new trunk water main in Thames South from Omahu to Hikutaia.

Solid waste (rubbish and recycling)

Council continues to deliver the joint Waste Management and Minimisation Plan (WMMP) in collaboration with Hauraki and Matamata-Piako District Council's. Waste reduction continues to be a challenge as we look to actively encourage more recycling by our communities. We have provided a grant to the Seagull Centre via our Waste Minimisation Levy to encourage reuse.

Representation

The Mayor and Councillors focused primarily on district-wide decisions with the development of the long term plan. There were over 12 workshops and 12 meetings held over a year period in which the elected members debated the types of projects that would shape our communities over the next ten years

Grants and remissions

The Community Boards allocated \$70,000 in local economic development grants and discretionary funds to community-based organisations with projects aimed at developing visitor facilities. These included grants for an exhibition to preserve the stories of A&G Price Foundry, contribution to the annual firework display, assisting with the cost of running the Summer Series, the Beach Hop event, the hosting cost of RSA services and a Run/Walk Festival.

Strategic planning

A key focus for this year was the development and adoption of the 2018-28 Long Term Plan. We received and considered 784 submissions covering a huge breadth of topics. There was particular interest in the future of the Thames Centennial Pool. We will continue to work on options for this over the next year and seek public feedback.

District plan

Work on appeals to the Proposed District Plan has been progressing well. Of the 72 appeals, 33 have been resolved in their entirety leaving 39 appeals outstanding. Many of these outstanding appeals are subject to agreements recorded in consent documents which are currently sitting with the Environment Court. A large number of outstanding appeals are also subject to the Section 293 process concerning the Natural Character and Coastal Environment topics. Other than the natural character and coastal environment topics the following topics remain outstanding: coastal living; structure plans; kauri dieback; transport; and rezoning.

Resource consents

We had 331 resource consent applications during the year compared to 395 lodged over the previous financial year. There has also been an increase in large scale development applications within the district.

Building control

Building Control Authority (BCA) accreditation has been achieved for another two years. A successful International Accreditation New Zealand (IANZ) reassessment occurred where we were able to demonstrate compliance with the regulatory requirements detailed in the Building (Accreditation of Building Consent Authorities) Regulations 2006. Overall we had an outstanding result with only one general non-compliance that related to Waikato Build Group documentation and this was rectified on site.

The online building consenting system was implemented on 18 June 2018. This followed significant preparation including a pilot programme and soft launch to increase user familiarity of the system.

Community health and safety

Two new bylaws came into effect: the Activities in Public Places Bylaw and Advertising and Signs Bylaw. We have predominantly worked with business owners educating them on the changes that they need to know about.

The Bylaws and Compliance team has had an increase in both their core service areas; routine patrols and responding to requests for service. We have issued more infringements than in previous years however we have conducted more patrols and checks and as such the percentage of people being compliant has remained above 95%.

The number of alcohol and food premises in the district has seen little change compared to the previous year. However, the new Food Act does require more time with each business as we move from an inspection regime to an audit regime achieving an audit of 93% of businesses in this financial year.

Emergency management

The January 2018 Thames Coast storm highlighted the need for west coast communities to be better prepared for emergencies with the ability to cope with short term isolation from such events. Along with our Thames Valley counterparts we visited eleven west coast communities to initiate community response planning. The community uptake/involvement was very positive.

Coastal and hazard management

We undertook workshops and engaged with our communities on a Coastal Management Strategy; which was adopted in June 2018; and informed the development of the 2018-28 Long Term Plan and Council's work programme.

Our first distinctive coastal asset management plan (AMP) was completed. This provides us with an essential tool to monitor, update and renew our vital coastal assets to an expected yet appropriate level of service.

A tsunami inundation study is underway for our west coast communities and is due for completion by August 2019.

Economic development

A revised Economic Development Strategy 2018-2028 was adopted in February 2018. We are currently working on a number of business initiatives around the district including business expansion, airfield development, aquaculture development, significant subdivision development, and a number of tourism expansion initiatives and new developments.

Overview of our financial performance

Local Government (Financial Reporting and Prudence) Regulations 2014

Our Long Term Plan sets out our financial strategy, which includes a set of self-imposed financial parameters that guides what we deliver and how we make decisions on funding and expenditure. For further detail about the financial strategy, please refer to our 2015-2025 Long Term Plan. 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 in our Annual Report our financial performance in relation to various benchmarks. This section details our performance against the financial parameters that we have set, which includes our performance against the Local Government (Financial Reporting and Prudence) Regulations 2014 prescribed benchmarks.

Annual Report disclosure statement for the year ended 30 June 2018

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. The Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

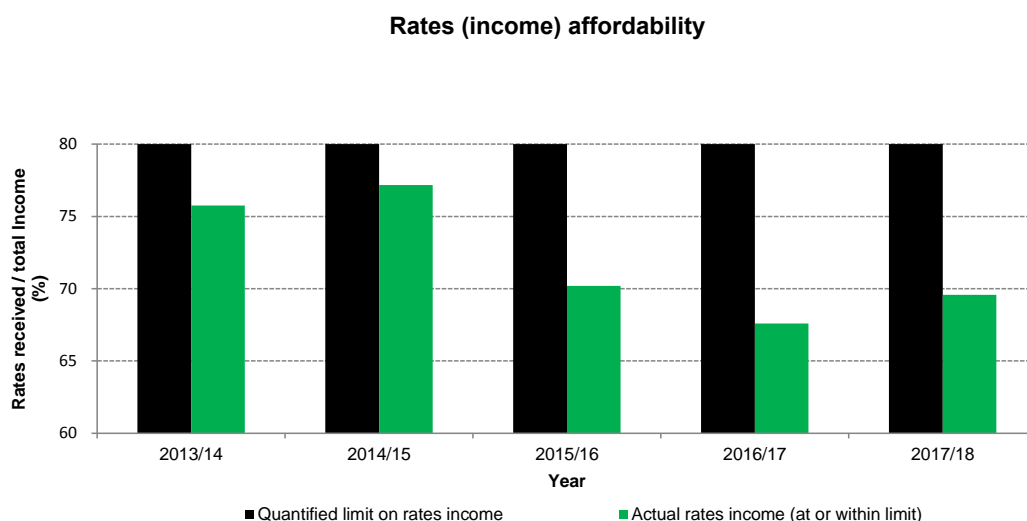
Rates affordability benchmark

The Council meets the rates affordability benchmark if;

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

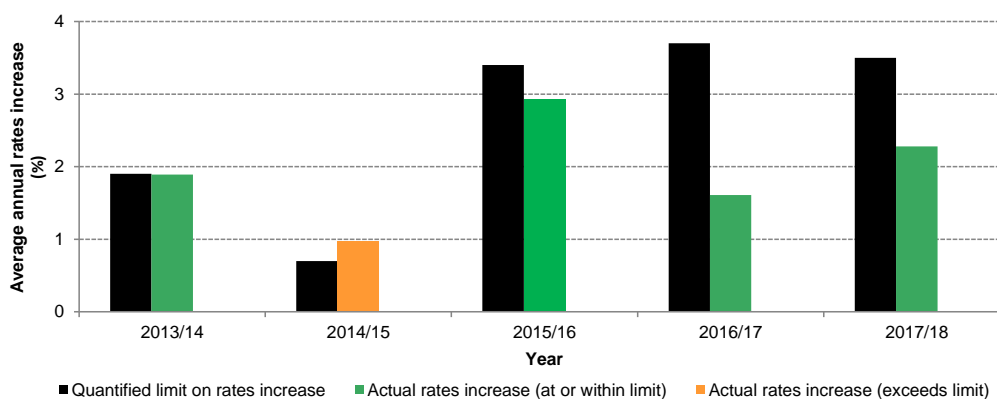
The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's Long Term Plan. The quantified limit is that rates are capped at 80% of total revenue. Council's rates are within the quantified limit.



Rates (increases) affordability

The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's Long Term Plan. The quantified limit is that rates will increase by no more than Local Government Cost Index (LGCI) plus 2%. Council's rates are within the quantified limit.

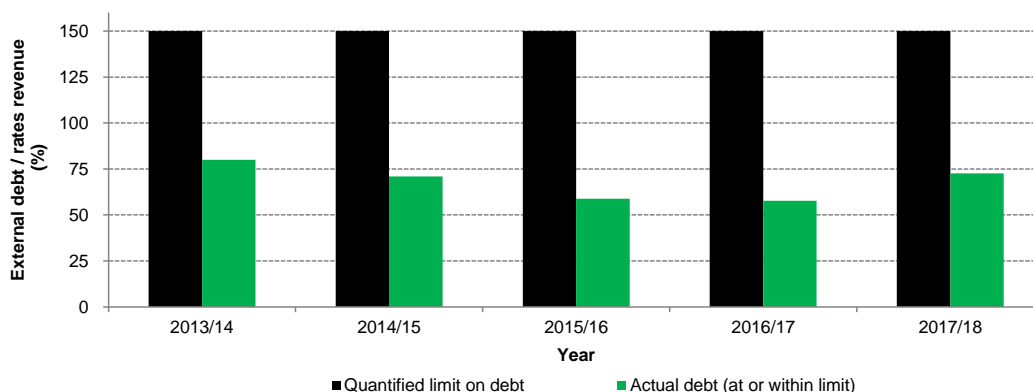
Rates (increases) affordability



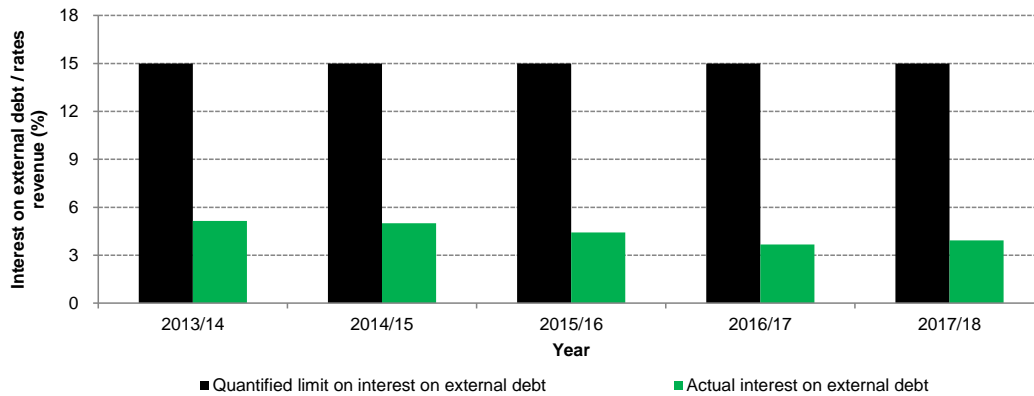
Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graphs compare the Council's actual borrowing with the quantified limits on borrowing stated in the financial strategy included in the Council's Long Term Plan. The quantified limits are that debt will remain within 150% of rates revenue, and that interest on external debt will be greater than or equal to 15% of rates revenue. The Council's borrowing is within these quantified limits.

External debt limit



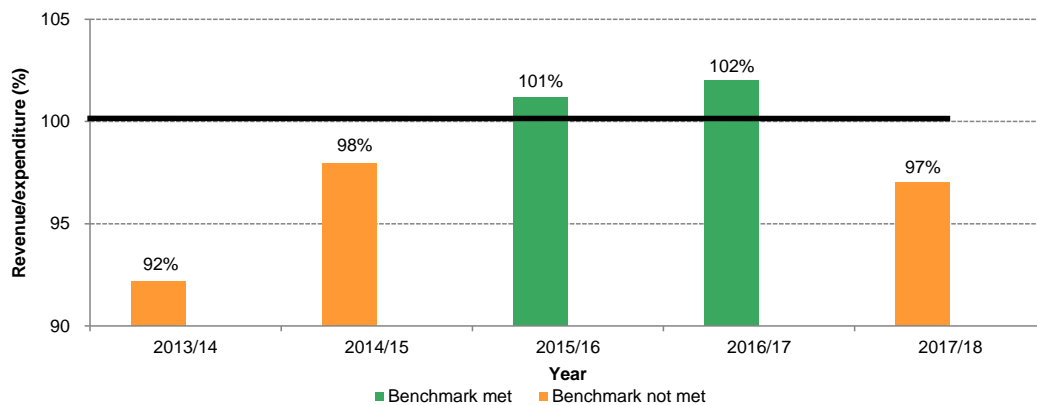
Interest on external debt



Balanced budget benchmark

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses. The Council did not meet this benchmark for the 2013/14, 2014/15 and 2017/18 years. For 2013/14 and 2014/15, this is partly due to the loss on disposal of assets and the fact that we intended not 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. For the 2017/18 year, this is mostly due to the additional costs to remediate the damage caused by a spate of severe storm events across the peninsula.

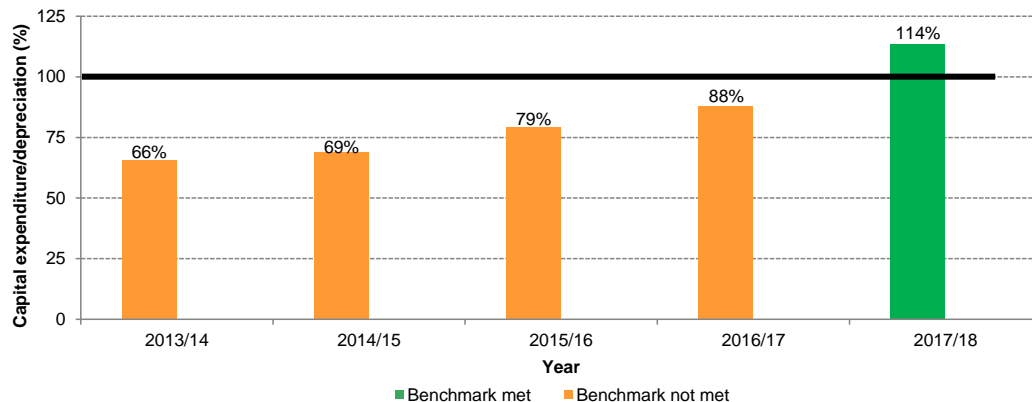
Balanced budget



Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. The Council did not meet this benchmark for the 2013/14 to 2016/17 years. The reason is mostly related to the large amount of relatively new infrastructure (e.g. three wastewater plants) which will not require renewals for many years yet. The fact that we did not complete 100% of our capital expenditure programme also impacts on this benchmark. The Council is funding depreciation and building depreciation reserves towards the time that major renewals are required. This benchmark was met for the 2017/18 year.

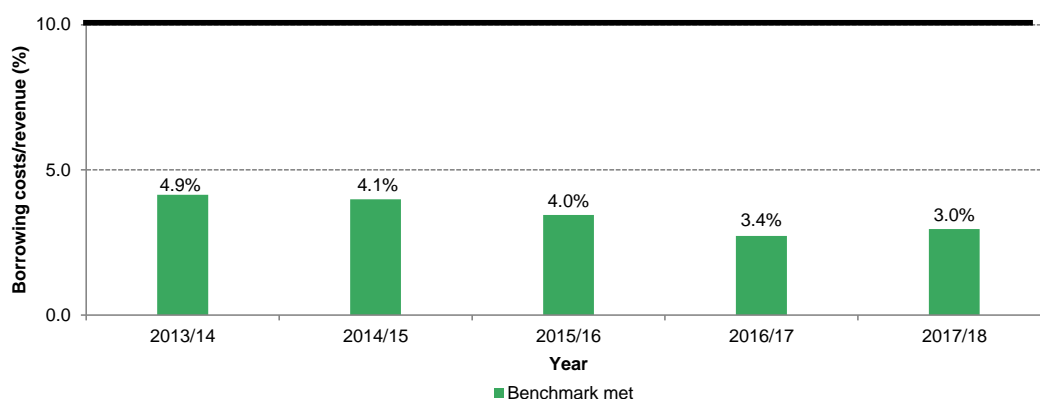
Essential services



Debt servicing benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment). Because Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue. The Council's borrowing costs were well within the limit set.

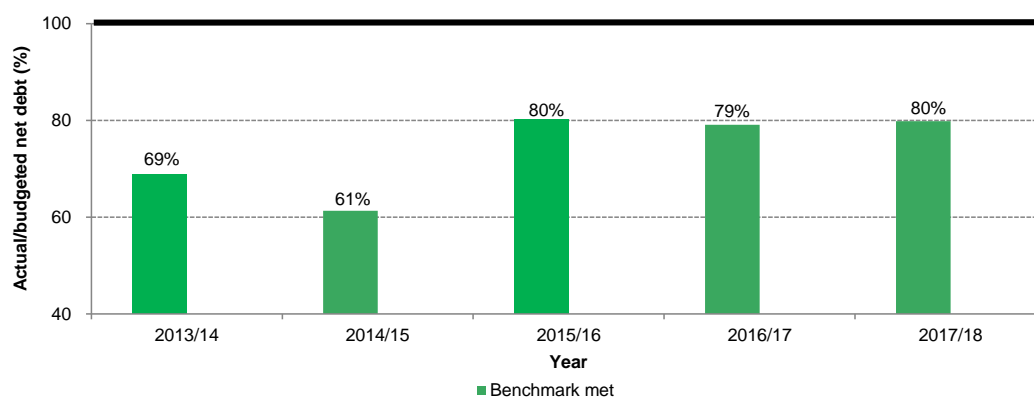
Debt servicing



Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt. The Council's borrowing was well within the limit set.

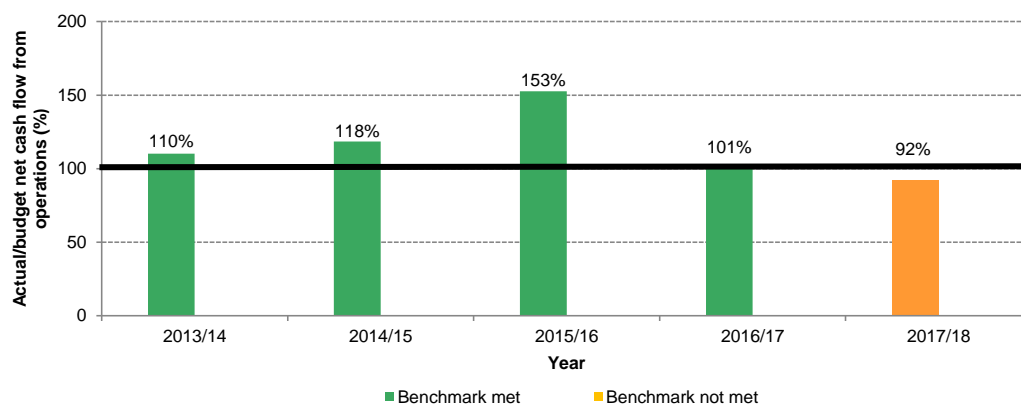
Debt control



Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations. The Council's cash flows did not meet the benchmark for the 2017/18 year mainly because the actual receipts from rates was less than budgeted in the Long Term Plan.

Operations control



Statement of service performance | Ngā Tauakī Whaingā

Introduction

For the purpose of our 2015-2025 Long Term Plan, Council arranged its services into the following activity groups and activities:

| Activity Groups | Activities |
|--|---|
| Roads and footpaths | Roads and footpaths |
| Stormwater | Stormwater |
| Wastewater | Wastewater |
| Water supply | Water supply |
| Solid waste | Rubbish and recycling |
| Representation | Representation Grants and remissions |
| Planning and regulation | Strategic planning District plan Resource consents Building control |
| Protection of people and the environment | Community health and safety Emergency management Coastal and hazard management |
| Community spaces and development | Thames community spaces and development Coromandel-Colville community spaces and development Mercury Bay community spaces and development Tairua-Pauanui community spaces and development Whangamata community spaces and development |
| Economic development | Economic development |

In this statement of service performance section we report against what we planned to do in year three (2017/18) of our Long Term Plan, for each of our activities (ordered by group of activities). At the start of each group of activities section there's a brief description to explain what it's about, and an overview of performance against our non-financial performance measures within the group.

By activity, we've set out the performance measures we determined as part of our service delivery planning (they're in our 2015-2025 Long Term Plan). We've reported what we said we'd do and what we actually did (how well we performed). Where we've got comparative performance data for the previous year we've provided that as well.

Roads and footpaths activity group

The roads and footpaths activity group includes our roads and footpath activity. Through this activity group we contribute to all three of our Council outcomes: a prosperous district, a liveable district, and a clean green district. We provide planning, provision, development, operations and maintenance of a district land transportation network; as well as local facilities including town centre facilities, footpaths, service lanes, street lighting, bridges and car parks (this excludes the state highway loop). The activity includes:

- A safe and resilient transport network
- Comfortable and fit for purpose roads
- Footpaths, walkways and cycleways that enable active modes
- Street lighting in urban centres
- Local public transport
- Town centre upgrades

Roads and footpaths - 2017/18 performance results

| Performance measure | Year | Target | Result | Comments | |
|--|---------|---|--------------|-----------|---|
| Level of service: The Council will ensure its roads are safe | | | | | |
| The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network (expressed as a number) | 2017/18 | Less than or equal to the previous year which was 2 | Not achieved | 5 | Council has limited ability to reduce road crashes resulting in fatalities or serious injury due to the number of human factors involved. Review of the crash statistics show no common cause of crash. |
| | 2016/17 | ≤8 | Achieved | 2 | |
| Level of service: The design, maintenance and management of roads and footpaths ensures they are in good condition and fit for purpose | | | | | |
| Percentage of the sealed local road network that is resurfaced | 2017/18 | The annual programmed area of resurfacing 174,464m² excluding first and second coat seals | Not achieved | 173,123m2 | Annual programme of road resurfacing (excl 1st and 2nd coat seals) is 174,464m2. The under-achievement compared to programme is due to three sites being deferred because of pavement condition or conflict with other works. The other works related to a resurfacing site on Tiki Road, Coromandel where a watermain was to be installed for the full site length, this accounted for 3387m2. There were also two sites (Marlin Street, Whitianga and Tui Terrace, Tairua) where pavement strengthening works were identified as the appropriate treatment, rather than the programmed resurfacing treatment due to the road pavement condition which had deteriorated over the wet winter months. Also another resurfacing site (Oceania Heights, Tairua) was deferred until 2018/19 as the pre-resurfacing repair work had not been completed to the required standard. |
| | 2016/17 | The annual programmed area of resurfacing 78,960m² excluding second coat seals. | Not achieved | 68,973m2 | |

| Performance measure | Year | Target | Result | | Comments |
|--|----------------|-------------|---------------------|----------------------|---|
| The average quality of ride on a sealed local road network, measured by smooth travel exposure | 2017/18 | ≥90% | Not achieved | 88% | The majority of rougher sealed roads are in urban (low speed) areas where road roughness doesn't impact driver comfort to the same extent as rural areas. Of the total vehicle km's travelled or vkt (80,871,457), the total km's travelled on 'rougher' urban roads was 7,471,857 (9.2%) compared with 1,848,902 (2.3%) travelled on 'rougher' rural roads. Roughness is not something we target in low speed environments as there is limited value for money/customer benefit from this investment, unless (from field verification) the roughness is an indicator of the road pavement asset requiring strengthening/replacement work and where this is the lowest whole of life treatment. |
| | 2016/17 | ≥90% | Not measured | Not measured | |
| Percentage of footpaths meeting condition rating one to three | 2017/18 | ≥95% | Not measured | Not available | TCDC's triennial footpath condition rating survey is next planned for completion in April 2020. |
| | 2016/17 | ≥95% | Achieved | 96% | |
| Percentage of unsealed road complying with quality requirements | 2017/18 | ≥90% | Achieved | 95% | Monthly cyclic inspections demonstrate the level of compliance with unsealed road surface and shape requirements are generally being met |
| | 2016/17 | ≥90% | Achieved | 94% | |

Level of service: The Council provides a responsive maintenance service to address identified faults and repairs

| | | | | | |
|--|----------------|-------------|-----------------|------------|---|
| Percentage of customer service requests relating to roads and footpaths* to which Council responds within the Long Term Plan timeframe | 2017/18 | ≥85% | Achieved | 98% | 79 out of 81 sealed road potholes and footpath trip hazard RFS's were repaired within the required timeframe for the 12 month period. |
| | 2016/17 | ≥85% | Not achieved | 84% | |

Financially significant projects identified in the 2017/2018 Annual Plan

| Project | 2018 Actual (\$000) | 2018 AP budget (\$000) | Comment |
|-----------------------|---------------------|------------------------|--|
| Street light renewals | \$923 | \$1,605 | The work to convert street lighting to LED components was behind schedule at the end of the financial year due to a delay in the supply of the LED fittings. 1460 replacements were made in the 2017/2018 financial year. The remaining budget has been carried forward to complete the replacement of the remaining 554 lanterns in the 2018/2019 financial year. NZTA have approved a subsidy to fund 85% of the cost of the replacements. |

| Project | 2018 Actual (\$000) | 2018 AP budget (\$000) | Comment |
|------------------------------|---------------------|------------------------|---|
| Area-wide pavement treatment | \$1,183 | \$1,667 | This activity is undertaken to replace road pavement assets (required to support vehicle loading) at the end of their useful life. The quantity of road pavement renewal achieved in 2017/18 was less than that programmed as a result of one large site (Wentworth Valley Road) needing to be deferred to 2018/19 due to delays obtaining archaeological authority to undertake the works. |
| Maintenance chip seals | \$1,035 | \$1,026 | This activity is undertaken to ensure roads are re-surfaced to provide sufficient waterproofing and maximise the life of the road structure. The value of work completed was slightly over the annual plan budget once cost indices were applied to resurfacing contract rates. |

Stormwater activity group

The stormwater activity group includes our stormwater and land drainage activity. This activity contributes to the achievement of two of our community outcomes: a liveable district and a clean green district. Stormwater is the result of heavy or sustained rainfall resulting in the need to manage the disposal of surface water. We have a number of stormwater systems throughout our district to manage run-off and reduce surface water ponding (which can lead to risks to public health and safety and damage to property) and to avoid dangerous road conditions. Our stormwater systems includes around 200 kilometres of stormwater pipes, more than 3,000 manholes and four pump stations.

Stormwater - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|---------------------|------|-----------------|--------|--|----------|
|---------------------|------|-----------------|--------|--|----------|

Level of service: The Council's stormwater services protect habitable areas from flooding

| | | | | | |
|--|----------------|-----------|---------------------|-------------|--|
| Number of flooding events | 2017/18 | 0 | Not achieved | 1 | There are 22,944 properties serviced by stormwater. The report of flooding was made as part of a building query rather than at the time of flooding. No reports of flooding were included in this result which would have provided for a more accurate representation of flooding in the district. |
| | 2016/17 | 0 | Not achieved | 2 | |
| For each flooding event the number of habitable floors affected (per 1,000 connected properties) | 2017/18 | ≤1 | Achieved | 0.04 | |
| | 2016/17 | ≤1 | Achieved | 1 | |

Level of service: The Council provides a responsive stormwater request service

| | | | | | |
|---|----------------|-----------------|-----------------|-----------------|---|
| The median response time to attend a flooding event, measured from the time Council receives notification to the time that service personnel reach the site | 2017/18 | ≤3 hours | Achieved | 1.68 hrs | This financial year saw an increase in significant rain events compared to the previous year. This led to a high intensity of calls within a small time; meaning a longer response time to attend to each call. |
| | 2016/17 | ≤3 hours | Achieved | 27 minutes | |
| Number of complaints received about the performance of the stormwater system (per 1,000 connected properties) | 2017/18 | ≤5 | Achieved | 2.7 | |
| | 2016/17 | ≤5 | Not achieved | 5.34 | |

Level of service: The Council minimises the environmental impact of protecting habitable areas from flooding

Number of operational resource consent conditions not complied with throughout the year:

| | | | | | |
|-----------------------------------|----------------|----------|-----------------|----------|--|
| Total for all enforcement actions | 2017/18 | 0 | Achieved | 0 | Council continues to meet its operational resource consent conditions. |
| | 2016/17 | 0 | Achieved | 0 | |
| Number of abatement notices | 2017/18 | 0 | Achieved | 0 | |
| | 2016/17 | 0 | Achieved | 0 | |
| Number of infringement notices | 2017/18 | 0 | Achieved | 0 | |
| | 2016/17 | 0 | Achieved | 0 | |
| Number of enforcement orders | 2017/18 | 0 | Achieved | 0 | |
| | 2016/17 | 0 | Achieved | 0 | |
| Number of successful prosecutions | 2017/18 | 0 | Achieved | 0 | |
| | 2016/17 | 0 | Achieved | 0 | |

Wastewater activity group

Our wastewater activity group includes our wastewater activity and covers the collection, treatment and safe disposal of wastewater (sewage) from households and businesses within currently serviced urban communities. Through this activity group we contribute to all three of our Council outcomes: a prosperous district, a liveable district, and a clean green district. Delivering these services help to protect the environment and public health. We operate 10 wastewater systems (in Cooks Beach, Coromandel, Hahei, Matarangi, Oamaru Bay, Onemana, Tairua-Pauanui, Thames, Whangamata and Whitianga). Assets for this activity include piped networks, pumping stations, manholes and treatment plants.

Wastewater - 2017/18 performance results

| Performance measure | Year | Year end target | Result | Comments |
|---------------------|------|-----------------|--------|----------|
|---------------------|------|-----------------|--------|----------|

Level of service: Adequate wastewater services for household and business use will be provided in currently serviced urban communities

| | | | | | |
|--|----------------|-----------|---------------------|--------------|---|
| Number of dry weather sewerage overflows from the territorial authority's sewerage system (per 1000 connections to that sewerage system) | 2017/18 | ≤1 | Not achieved | 1.156 | There are 19,897 properties serviced by stormwater. There were 17 dry weather overflows for the financial year. 23 in total including public and private overflows. |
| | 2016/17 | ≤1 | Achieved | 0.65 | |

Level of service: Council will respond as required to faults and complaints received from its customers

The total number of complaints about wastewater per 1,000 connected properties:

| | | | | | |
|---|----------------|-----------|---------------------|--|--|
| Odour | 2017/18 | ≤1 | Not achieved | 1.06 per 1,000 connected properties | 21 odour complaints were received in 2017/18 due to a mixture of issues - some of the complaints were unable to be substantiated. Complaints often come in over the peak season where holiday spots become more populated; the wastewater discharge increases and there are more people around to notice any odours as a result. |
| | 2016/17 | ≤1 | Achieved | 0.44 per 1,000 connected properties | |
| System faults | 2017/18 | ≤2 | Not achieved | 5.9 per 1,000 connected properties | This year saw a reduction in system faults. Faults were due to third party damage (ie - broadband installation contractors being in Thames.) Total of 117 |
| | 2016/17 | ≤2 | Not achieved | 6.5 per 1,000 connected properties | |
| Blockages | 2017/18 | ≤2 | Not achieved | 5.3 per 1,000 connected properties | This year saw a reduction in blockages. Blockages were due to third party damage (ie - broadband installation contractors being in Thames. 106 blockages were attended by Veolia |
| | 2016/17 | ≤2 | Not achieved | 8.2 per 1,000 connected properties | |
| Response to issues with the wastewater system | 2017/18 | ≤2 | Achieved | 0.11 per 1,000 connected properties | 2 complaints were received over the financial year. |
| | 2016/17 | ≤2 | Achieved | 0.11 per 1,000 connected properties | |

Level of service: Council will respond as required to faults and complaints received from its customers

| Performance measure | Year | Year end target | Result | | Comments |
|--|----------------|------------------|---------------------|----------------------|--|
| Median response time for attendance from the time that Council receives notification of a fault or blockage to the time that service personnel reach the site | 2017/18 | ≤2 hours | Achieved | 28 mins | Veolia attended 134 wastewater issues in 2017/18 compared to 99 in 2016/17. Despite this increase in the number of issues, our response times improved. |
| | 2016/17 | ≤2 hours | Achieved | 34 minutes | |
| Median response time for a resolution from the time Council receives notification to the time that service personnel confirm resolution of the blockage or other fault | 2017/18 | ≤24 hours | Not achieved | 31hrs 36 mins | The large increase in faults is due to third party damage (ie - broadband installation contractors being in Thames has contributed to an increased workload for Council's contractors, pushing out work timeframes.) |
| | 2016/17 | ≤24 hours | Achieved | 10 hrs 17 mins | |

Level of service: Council will respond as required to faults and complaints received from its customers

Number of operational resource consent conditions not complied with throughout the year:

| | | | | | |
|-----------------------------------|----------------|----------|-----------------|----------|--|
| Total for all enforcement actions | 2017/18 | 0 | Achieved | 0 | Council continues to meet its operational resource consent conditions. WRC has confirmed that there have been no actions, notices or orders issued against TCDC. |
| | 2016/17 | 0 | Achieved | 0 | |
| Number of abatement notices | 2017/18 | 0 | Achieved | 0 | |
| | 2016/17 | 0 | Achieved | 0 | |
| Number of infringement notices | 2017/18 | 0 | Achieved | 0 | |
| | 2016/17 | 0 | Achieved | 0 | |
| Number of enforcement orders | 2017/18 | 0 | Achieved | 0 | |
| | 2016/17 | 0 | Achieved | 0 | |
| Number of successful prosecutions | 2017/18 | 0 | Achieved | 0 | |
| | 2016/17 | 0 | Achieved | 0 | |

The times shown for "attendance" and "resolution" are reported by the service provider Veolia Water Services (ANZ) Pty Limited, as part of their contracted responsibilities. This includes travel time. The accuracy of these have not been verified by Council.

Water supply activity group

The water supply activity group includes our water supply activity; and covers the provision of water to residential, commercial and industrial connections in the district and the treatment of water to ensure it is safe for our communities to use. Through this activity group we contribute to all three of our Council outcomes: a prosperous district, a liveable district, and a clean green district.

Council serves 10 water supply schemes in the district, operates nine water treatment facilities and has three rural water supplies located south of Thames.

Water supply - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|---------------------|------|-----------------|--------|--|----------|
|---------------------|------|-----------------|--------|--|----------|

Level of service: The Council provides safe and reliable water for household and business use in urban areas

Compliance with drinking water standards (bacteria, part 4 of the standards):

| | | | | | |
|--------------|----------------|----------------------|---------------------|----------------------|--|
| Thames South | 2017/18 | Not compliant | Achieved | Not compliant | 19,560 properties are connected to the water supply system. The compliance report from the DHB for this financial year does not get released until October 2018. With the progressive installation of membrane filtration at all water treatment plants over the next three years, these plants should be fully compliant by the end of June 2021. |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Thames | 2017/18 | Compliant | Achieved | Compliant | |
| | 2016/17 | Compliant | Achieved | Compliant | |
| Coromandel | 2017/18 | Not compliant | Achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Matarangi | 2017/18 | Not compliant | Not achieved | Compliant | |
| | 2016/17 | Not compliant | Not achieved | Compliant | |
| Whitianga | 2017/18 | Compliant | Achieved | Compliant | |
| | 2016/17 | Not compliant | Not achieved | Compliant | |
| Hahei | 2017/18 | Compliant | Achieved | Compliant | |
| | 2016/17 | Not compliant | Not achieved | Compliant | |
| Tairua | 2017/18 | Not compliant | Not achieved | Compliant | |
| | 2016/17 | Not compliant | Not achieved | Compliant | |
| Pauanui | 2017/18 | Not compliant | Not achieved | Compliant | |
| | 2016/17 | Not compliant | Not achieved | Compliant | |
| Onemana | 2017/18 | Not compliant | Achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Whangamata | 2017/18 | Not compliant | Achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |

Compliance with drinking water standards (protozoal, part 5 of the standards):

| | | | | | |
|--------------|----------------|----------------------|---------------------|----------------------|---|
| Thames South | 2017/18 | Not compliant | Achieved | Not compliant | With the progressive installation of membrane filtration at all water treatment plants over the next three years, these plants will be fully compliant by the end of June 2021. |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Thames | 2017/18 | Not compliant | Achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Coromandel | 2017/18 | Compliant | Not achieved | Not compliant | |
| | 2016/17 | Compliant | Not achieved | Not compliant | |
| Matarangi | 2017/18 | Not compliant | Achieved | Not compliant | |

| Performance measure | Year | Year end target | Result | | Comments |
|---------------------|----------------|----------------------|---------------------|----------------------|----------|
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Whitianga | 2017/18 | Not compliant | Achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Hahei | 2017/18 | Compliant | Not achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Tairua | 2017/18 | Compliant | Not achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Pauanui | 2017/18 | Not compliant | Achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Onemana | 2017/18 | Not compliant | Achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |
| Whangamata | 2017/18 | Not compliant | Achieved | Not compliant | |
| | 2016/17 | Not compliant | Achieved | Not compliant | |

Level of service: The Council promotes the efficient and sustainable use of water

| | | | | | |
|---|----------------|---|---------------------|----------------------|---|
| Percentage of real water loss from the local authority's networked reticulation system (medium schemes 2,500 to 10,000 connections, small schemes <2,500 connections): | | | | | Next meter readings start in the first quarter of the new financial year. Leak detection work has begun and is being programmed for all townships of concern. A drop in water loss will be seen in next reporting period as more leak detection gets completed. |
| Thames (medium)* | 2017/18 | ≤39% | Achieved | 39% | |
| | 2016/17 | ≤39% | Not achieved | 44% | |
| Coromandel (small)* | 2017/18 | ≤37% | Not achieved | 38% | |
| | 2016/17 | ≤37% | Not achieved | 42% | |
| Pauanui (small)* | 2017/18 | ≤13% | Not achieved | 26% | |
| | 2016/17 | ≤13% | Not achieved | 14% | |
| Thames South (small)** | 2017/18 | ≤38% | Not measured | Not available | |
| | 2016/17 | ≤40% | Not measured | Not available | |
| Matarangi (small)** | 2017/18 | ≤40% | Not measured | Not available | |
| | 2016/17 | ≤45% | Not measured | Not available | |
| Whitianga (medium)** | 2017/18 | ≤25% | Not measured | Not available | |
| | 2016/17 | ≤25% | Not measured | Not available | |
| Hahei (small)** | 2017/18 | ≤45% | Not measured | Not available | |
| | 2016/17 | ≤50% | Not measured | Not available | |
| Tairua (small)** | 2017/18 | ≤35% | Not measured | Not available | |
| | 2016/17 | ≤40% | Not measured | Not available | |
| Onemana (small)** | 2017/18 | ≤50% | Not measured | Not available | |
| | 2016/17 | ≤60% | Not measured | Not available | |
| The average consumption of drinking water per day per | 2017/18 | ≤650 litres per resident per day | Achieved | 503 | This is measured from usage for Coromandel, Thames and Pauanui which are universally metered. |

| Performance measure | Year | Year end target | Result | | Comments |
|--|---------|----------------------------------|----------|---------------------------------|---|
| resident (currently based on normally resident population) | 2016/17 | ≤650 litres per resident per day | Achieved | 443 litres per resident per day | Figures use normal resident population data from the Rationale (August 2017) report <i>Thames-Coromandel District: Projections for Resident Population, Dwellings and Rating Units to 2048</i> ". |

Level of service: The Council provides a responsive call-out service to attend to customers issues with their water supply

| | | | | | |
|--|---------------------------|-------------------------------|---------------------------------|--|--|
| Median response time for attendance for urgent call-outs from the time that the local authority receives notification to the time that service personnel reach the site | 2017/18 2016/17 | ≤2 hours ≤2 hours | Achieved Achieved | 25 minutes 18 minutes | Please note that while this response time appears much longer than the previous year it is due to approved extensions granted by the Council's infrastructure team for a small number of jobs. |
| Median response time for resolution for urgent call-outs from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption | 2017/18 2016/17 | ≤24 hours ≤24 hours | Achieved Achieved | 3 hrs 9 minutes 1hr 47 mins | |
| Median response time for attendance for non-urgent call-outs from the time that the local authority receives notification to the time that service personnel reach the site | 2017/18 2016/17 | ≤5 days ≤5 days | Achieved Achieved | 54 minutes 37 minutes | |
| Median response time for resolution for non-urgent call-outs from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption | 2017/18 2016/17 | ≤5 days ≤5 days | Achieved Achieved | 4 days 20 hrs 3 hrs 15 minutes | |
| Number of complaints - The total number of complaints received per 1,000 connections: | | | | | |
| | | | | | There are a total of 19,560 water rating units. |
| Clarity | 2017/18 2016/17 | ≤2 ≤2 | Achieved Achieved | 1.3 0.68 | Clarity had 26 complaints. |
| Taste | 2017/18 2016/17 | ≤2 ≤2 | Achieved Achieved | 1.17 0.5 | Taste had 23 complaints. |
| Odour | 2017/18 2016/17 | ≤2 ≤2 | Achieved Achieved | 0.2 0.23 | Odour had 4 complaints. |
| Pressure | 2017/18 2016/17 | ≤5 ≤5 | Achieved Achieved | 2.3 1.87 | Pressure had 45 complaints. |
| Continuity of supply | 2017/18 2016/17 | ≤5 ≤5 | Not achieved Achieved | 5.7 4.87 | Continuity of supply was interrupted as a direct result of broadband installation in |

| Performance measure | Year | Year end target | Result | | Comments |
|---------------------|---------|-----------------|----------|------|---------------------------------------|
| | | | | | Thames. 113 complaints were received. |
| Response to above | 2017/18 | ≤3 | Achieved | 0.1 | 2 complaints were received. |
| | 2016/17 | ≤3 | Achieved | 0.17 | |

The times shown for "attendance" and "resolution" are reported by the service provider Veolia Water Services (ANZ) Pty Limited, as part of their contracted responsibilities. This includes travel time. The accuracy of these have not been verified by Council.

* *These schemes have universal metering and use an Annual Water Balance methodology*

** *These schemes do not have meters and use Minimum Night Flow methodology (used to monitor water loss from Council's water supply networks that do not have residential water meters). Recorded flow of water through the unmetered residential supply networks at night during a time when normal water use is recorded to be minimal (because most people are sleeping), for example 2-3am, is used as indicative of leaks. The minimum night flow rate is calculated as a percentage of day time flow to give an approximate percentage water loss for each of Council's unmetered water supply networks.*

*** *Although the target was to be not compliant, we did comply with the standard for this water supply network*

Financially significant projects identified in the 2017/2018 Annual Plan

| Project | 2018 Actual (\$000) | 2018 AP budget (\$000) | Comment |
|----------------------------------|---------------------|------------------------|--|
| Drinking water standards upgrade | \$1,612 | \$2,501 | The drinking water standards upgrade project is a crucial project for TCDC. The work entails raising the capability of the water treatment plants across the district to enable compliance with the current standards, as monitored by the Waikato District Health Board. With the large increase in population experienced across the district over the summer period, and especially the Mercury Bay area, the Whitianga treatment plant was selected as the first plant to undergo the necessary upgrades. The work was tendered for the Whitianga plant, but staff were cognisant of the requirement to upgrade the remaining plants across the district over the following three years, as per the programme developed for the Long Term Plan. As such the tendering & evaluation process was carefully followed considering how this project might impact on the upgrades of the other plants in the district, so took longer than initially anticipated. The tender for the Whitianga plant was awarded in the last quarter of the financial year with works now underway. The unspent budget has been carried forward to enable completion in the 2018/19 year, whilst a number of the other treatment plants are also progressed. |

Solid waste activity group

The solid waste activity group includes our rubbish and recycling activity. This activity contributes to the achievement of two of our Council outcomes: a liveable district and a clean green district. We provide ways for rubbish to be properly disposed of to protect public health and the environment. We also promote recycling, reuse and resource recovery with the objectives of reducing the amount of waste going to landfill and practising responsible resource efficiency. In addition to a weekly kerbside refuse and fortnightly recyclables collection service, the Council manages closed landfill sites and operates transfer stations where waste and recycling can be dropped off. While we are not obliged to provide waste management services directly, we are required to ensure that services are provided within our district. We are also required to promote effective and efficient waste management and minimisation within our district.

Rubbish and recycling - 2017/18 performance results

| Performance measure | Year | Year end target | Result | Comments | |
|---|---------|---|--------------|-------------------------------|---|
| Level of service: Rubbish and recycling kerbside pickup services are provided to solid waste rated residential properties in all urban and most rural areas | | | | | |
| Number of missed properties or whole streets where collections did not happen | 2017/18 | ≤36 streets and ≤156 properties per annum | Achieved | 12 Streets and 126 properties | We continue to meet our collection targets, although our result is not as high as previous years. |
| | 2016/17 | ≤36 streets and ≤156 properties per annum | Achieved | 5 streets and 91 properties | |
| Missed household refuse service requests responded to by the next day (on validation) | 2017/18 | ≥95% | Not achieved | 63% | 320 of 511 requests for service were responded to. We will actively work to improve this result in subsequent years - particularly through staff training and improved use of our computer system. |
| | 2016/17 | ≥92% | Not achieved | 71% | |
| Level of service: The Council facilitates waste minimisation practices and promotes reduction of the amount of waste going to landfill | | | | | |
| Kilograms of Council controlled waste per rating unit being disposed of to landfill (per rating unit) | 2017/18 | ≤474kg per rating unit | Not achieved | 663kg | Council will continue to encourage reducing weight in rubbish bags to landfill by promoting recycling and reuse. We are looking to purchase items such as Jute bags with messages on the bags to promote recycling. We are also looking at purchasing recipe booklets promoted by LFHW (Love Food Hate Waste) to reduce food waste and Council has provided a grant to the Seagull Centre via the Waste Minimisation Levy to promote reuse. |
| | 2016/17 | ≤474kg per rating unit | Not achieved | 553kg | |
| Kilograms of recycling material diverted from landfill (per rating unit) | 2017/18 | ≥443kg per rating unit | Achieved | 544kg per rating unit | Effective communication and education programmes in schools will continue to improve the result. |
| | 2016/17 | ≥438kg per rating unit | Not achieved | 398kg per rating unit | |
| Level of service: The Council maintains closed landfill sites | | | | | |
| Number of formal warnings issued by the Waikato Regional Council for | 2017/18 | 0 | Achieved | 0 | Council received no formal warnings relating to the maintenance of closed landfill sites |
| | 2016/17 | 0 | Achieved | 0 | |

| Performance measure | Year | Year end target | Result | | Comments |
|---|------|-----------------|--------|--|----------|
| non-compliance with resource consent(s) | | | | | |

Representation activity group

This activity group includes our representation and grants and remissions activities. Through this activity group we contribute to all three of our Council outcomes: a prosperous district, a liveable district, and a clean green district.

Representation: The Mayor and Councillors focus primarily on district-wide decisions and issues. They are supported by local community boards, which represent their communities, ensure local views and aspirations are known, considered and advocated for. The community boards make decisions on local issues and activities and have a role in representing local community aspirations and concerns to assist in district-wide Council decision-making.

Grants and remissions: Our grants and remissions activity provides support to community organisations to build their capacity to assist in developing a strong and connected community. Council actively collaborates with organisations to achieve efficient use of resources, strong partnerships and financial assistance contributing to greater community cohesion. This is achieved by service level agreements, the administration of grants for community groups and events and administration of rates remissions.

Representation - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|---|---------|-----------------|--------------|-----|--|
| <i>Level of service: Councillors and Community Board members can demonstrate to ratepayers their commitment to the democratic process</i> | | | | | |
| Attendance rate at Council and Community Board meetings | 2017/18 | ≥80% | Achieved | 91% | Good attendance was recorded across all the Community Boards, Committees and Council for the year. |
| | 2016/17 | ≥80% | Achieved | 92% | |
| <i>Level of service: Council is committed to transparent decision-making</i> | | | | | |
| The proportion of agenda items which are publicly excluded | 2017/18 | ≤10% | Not achieved | 15% | Two Community Boards, two committees and the Council all had a higher proportion of public excluded items than the target for the year. The higher proportion was not moderated by the remaining three Community Boards that were well under the target proportion of 10%. |
| | 2016/17 | ≤10% | Not achieved | 13% | |

Grants and remissions

| Performance measure | Year | Year end target | Result | | Comments |
|--|---------|-----------------|--------------|--------|--|
| Level of service: The Council promotes community empowerment through supporting community-driven initiatives | | | | | |
| Percentage of funds distributed that comply with the Council's community grant criteria | 2017/18 | 100% | Achieved | 100% | All grants approved have met the criteria. |
| | 2016/17 | 100% | Not achieved | 99.46% | |

Planning and regulation activity group

This group of activities is made up of the following activities: strategic planning, district plan, resource consents, building control. This activity contributes to the achievement of all three of our Council outcomes: a prosperous district, a liveable district and a clean green district.

Planning is important not only to meet the needs of our local and visitor communities ahead of change; but also so that we can retain the diversity, character and natural values that the Coromandel Peninsula community believes makes the peninsula special.

Strategic planning: This activity is about planning for a sustainable future through informed decision-making, which balances varied community aspirations with legal and practical requirements. Associated with this activity is preparation of a long term plan, an annual plan (in the years when a long term plan is not required) and an annual report (like this one) to monitor performance.

District plan: This activity involves the preparation, monitoring and maintenance of the Thames-Coromandel District Plan, which provides a framework to implement and support appropriate subdivision and land use management in the district.

Resource consents: This activity is principally about processing resource consent applications and ensuring that all developments and activities are consistent with the District Plan and the Resource Management Act 1991 (RMA).

Building control: This activity involves implementing a regulatory process to ensure buildings are safe, have the attributes that contribute to health and physical independence and to do so in a manner that promotes sustainable development. There are two distinct components to our building control activity:

- Building consenting for processing, inspecting and certifying building work
- Building enforcement to ensure compliance with legislation and related requirements

Our building control activity incorporates Land Information Memoranda (LIMs) which are reports issued by the Council, on request, about a particular property or piece of land. LIMs help protect buyers of property and provide important information for building development project planning.

Strategic planning - 2017/18 performance results

| Performance measure | Year | Year end target | Result | Comments |
|--|---------|---|--------------|------------------------------|
| <i>Level of service:</i> | | | | |
| Proportion of work programme milestones completed (strategies, policies, bylaws, research projects e.g. peak population study) | 2017/18 | Strategic Planning work programme milestones as defined in 2017/18 Annual Plan* | Achieved | 3 of 3 milestones completed |
| | 2016/17 | Strategic Planning work programme milestones as defined in 2016/17 Annual Plan* | Not achieved | 1 of 3 milestones completed. |

*Strategic Planning work programme milestones as defined in the 2017/18 Annual Plan:

- Project manage the 2018-2028 Long Term Plan in time for adoption by 30 June 2018.
- Provide a Coastal Management Strategy to Council for adoption by 30 June 2018.
- Undertake a review of Council's Gambling Policy with a statement of proposal ready for public consultation by 30 June 2018.

District plan - 2017/18 performance results

| Performance measure | Year | Year end target | | Result | Comments |
|---|---------|--|--------------|--------------------------------------|--|
| <i>Level of service:</i> | | | | | |
| Proportion of work programme progressed to complete and implement District Plan | 2017/18 | District plan work programme as defined in 2017/18 Annual Plan* | Not achieved | One out of three milestones complete | Updating the E-Plan within one month has not been achieved. This is due to timing issues with GIS mapping and formatting of E-Plan tables which needed resolving before E-Plan could be published. Resolution of the appeals is not yet at a point where other changes (variations) can be made to the Plan without running the risk of implications from consent documents/court decisions. |
| | 2016/17 | District plan work programme as defined in 2016/17 Annual Plan** | Not achieved | Two out of three milestones complete | |

*District plan work programme as defined in the 2017/18 Annual Plan:

- ≥ 60% (15 of 25) Environment Court appeal topics resolved by the end of June 2018.
- Proposed District Plan 'Appeals Version' updated in ePlan within one calendar month of appeals being resolved/determined.
- A variation to address Plan administration issues publicly notified by 31 October 2017.

**District plan work programme as defined in the 2016/17 Annual Plan:

- Report to the 28 September 2016 Council meeting on the number and complexity of appeals to the Environment Court.
- An 'Appeals Version' of the Proposed District Plan available by 1 October 2016.
- Line of enquiry established and operational by 31 March 2017.

Resource consents - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|---|---------|-----------------|--------------|--------|--|
| Level of service: The Council ensures that resource and other consent applications are processed within the statutory timeframe | | | | | |
| Percentage of accepted resource consent applications are processed within statutory timeframes | 2017/18 | ≥98% | Not achieved | 97% | A total of 331 resource consents were processed over the past 12 months of which 11 consents went over timeframe due to delays in engineering comments due to pressures on internal resources. There was also a significant increase in large scale developments within the district. More work was outsourced to external engineering consultants in March to deal with the backlog and new work. |
| | 2016/17 | ≥98% | Achieved | 99.50% | |
| Percentage of 224 certificates of compliance issued within 20 working days (provided all the correct information is provided) | 2017/18 | ≥95% | Not achieved | 80% | A significant and unexpected increase in development engineering workload due to a wet construction season last year plus limitations in development engineering resource contributed to this measure not being achieved. New consents have been outsourced to external engineers to review but this external resource did not deal with 224 certificates which is best handled in house due to vesting of assets to Council requiring input from multiple internal departments. |
| | 2016/17 | ≥90% | Achieved | 94% | |

Building control - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|---|---------|-----------------|--------------|--------|--|
| Level of service: The Council processes, inspects and certifies building work applications | | | | | |
| Percentage of accepted building consent applications are processed ≤20 working days | 2017/18 | ≥98% | Achieved | 99.68% | Of the 1,245 applications with decisions, 1,241 were processed within the statutory timeframes with 2 applications and 2 amendments going overtime. The average working days to consent decision is 10.75 at 30 June 2018. The use of external processing contractors is reducing as appointed staff become proficient with systems and improve their competency levels. |
| | 2016/17 | ≥98% | Not achieved | 89% | |
| Percentage of Code of Compliance Certificates processed ≤20 working days | 2017/18 | ≥98% | Not achieved | 78.18% | This result is calculated over 11 months only to 31.5.2018. With the transition to a new computer system (AlphaOne) Code of Compliance Certificate records for June are not available. A solution is being worked on to solve this issue. Of the 888 application decisions up to 31.5.2018, 781 were processed within the statutory timeframe. The 107 overruns were mainly due to administration support resourcing issues along with a minor lapse in procedural process as officers transitioned into the new system. |
| | 2016/17 | ≥98% | Achieved | 99.61% | |
| Level of service: Commercial buildings containing specified systems will be managed to ensure they comply with the NZ Building Code | | | | | |
| Proportion of Building Warrant of Fitnesses audited annually | 2017/18 | ≥10% | Achieved | 11.51% | Over the year 42 premises have been audited from a total of 365 on Council's register at 30 June 2018. |
| | 2016/17 | ≥10% | Achieved | 11.80% | |
| Level of service: Swimming pools comply with the Fencing of Swimming Pools Act | | | | | |
| Percentage of pools on our register are compliant with or working towards the requirements under the Fencing of Swimming Pools Act | 2017/18 | ≥90% | Not achieved | 87.73% | From 1 January 2017 the Fencing of Swimming Pools Act 1987 was repealed and levels of service are now under Building (Pools) Amendment Act 2016. Over the year 208 premises have been inspected, of which all passed or are working towards compliance. With existing compliant premises and pools under building |
| | 2016/17 | ≥85% | Achieved | 97.47% | |

| Performance measure | Year | Year end target | Result | | Comments |
|---------------------|------|-----------------|--------|--|---|
| | | | | | consent there is a total of 479 compliant pools from 546 on the register at 30 June 2018. As we got closer to the target our resources were required to be reprioritised elsewhere; affecting the result. |

Level of service: Customers can purchase a LIM they have confidence in, in a timely manner

| | | | | | |
|--|----------------|-------------|-----------------|-------------|--|
| Percentage of standard LIMs processed within 10 days | 2017/18 | 100% | Achieved | 100% | Over the year 1,233 applications were lodged. Of this 1,192 were processed within the statutory timeframe, 38 were withdrawn and 3 were still current. |
| | 2016/17 | 100% | Achieved | 100% | |

Protection of people and the environment activity group

This activity group includes the following activities: community health and safety, emergency management, coastal and hazard management. This activity contributes to the achievement of two of our Council outcomes: a liveable district and a clean green district.

This group of activities provide services which help protect people's health and safety, regulates behaviour that creates nuisance to others, plans to avoid and manages the impact of natural hazards on communities and the environment.

Community health and safety: This activity provides a range of services to ensure our communities are clean, safe and healthy places to live. This includes minimising public nuisances and offensive behaviour, as well as helping ensure public places are safe. Key services include animal control, liquor control, health licensing and bylaws.

Emergency management: This activity focuses on communities being ready for, responding to, and recovering from emergencies when they happen. Work is undertaken through the Emergency Operating Centre.

Coastal and hazard management: This activity plans for avoidance and management of the impact from natural hazards across the whole of the Coromandel Peninsula, with a particular focus on coastal settlements. Studies have been undertaken that help to inform communities and plan for hazards.

Coastal and hazard management - 2017/18 performance results

| Performance measure | Year | Year end target | Result | Comments |
|---|---------|---|--------------|---|
| <i>Level of service: The Council will work with other agencies to manage the effects of natural hazards</i> | | | | |
| Work programmes progressed with other agencies to manage the effects of natural hazards | 2017/18 | Work programmes progressed with other agencies to manage the effects of natural hazards. * | Not achieved | Dune planting was partially completed |
| | 2016/17 | Completion of a coastal management strategy which informs the district wide work programme in responding to coastal hazards | Not achieved | In progress to be completed in 2017/18 year |

* 2017-18 target - Complete the dune planting programmes approved by the Mercury Bay Community Board and Council (in accordance with Council resolution dated 4 April 2017) at:

- Whangapoua
- Matarangi
- Brophy's Beach
- Buffalo Beach
- Cooks Beach

Community health and safety - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|--|---------|-----------------|--------------|--------|---|
| Level of service: Food premises are monitored to ensure they are producing safe food | | | | | |
| Percentage of food premises inspected | 2017/18 | 100% | Not achieved | 93% | We were unable to meet this measure again this year but have improved on last year's result. The 100% target is difficult to reach as some businesses only open for short periods over summer. The new Food Act has also resulted in audits being significantly longer and our current resourcing limited us. We have addressed both of those issues for the next Long Term Plan. |
| | 2016/17 | 100% | Not achieved | 91% | |
| Level of service: Parking and freedom camping restrictions are monitored and managed/enforced | | | | | |
| Responsiveness to requests for service | 2017/18 | ≥90% | Achieved | 91% | This year we changed the way we measured our responsiveness. It was measured as to whether requests were responded to within our 5 day service level (rather than whether we responded at all). |
| | 2016/17 | ≥90% | Achieved | 94% | |
| Level of service: Regulate the sale and supply of alcohol | | | | | |
| Percentage of non-objected applications are assessed and prepared for the District Licensing Committee to make decisions in ≤20 days | 2017/18 | ≤99% | Not achieved | 91% | We performed better than we have in previous years but were unable to meet 99% of applications processed in 20 days at year end. This is due to the high number of applications that require further information and some difficult applications. |
| | 2016/17 | ≤99% | Not achieved | 78% | |
| Level of service: The Council provides animal control services to avoid dog attacks and nuisances | | | | | |
| Percentage of annual inspections on properties with dogs classified as dangerous or menacing | 2017/18 | 100% | Achieved | 100% | All menacing and dangerous dog property inspections were completed and any non compliance was rectified with the dog owners immediately. |
| | 2016/17 | 100% | Achieved | 100% | |
| Percentage of urgent animal control issues responded to ≤2 hours | 2017/18 | ≥98% | Achieved | 100% | All urgent animal control issues were responded to within 2 hours. |
| | 2016/17 | ≥98% | Achieved | 100% | |
| Level of service: We will respond to noise issues to minimise the impact on others | | | | | |
| Percentage of noise requests for service that are responded to ≤2 hours | 2017/18 | ≥98% | Achieved | 99.00% | There were only a small amount of noise complaints that were not responded to within the 2 hour time limit and those were investigated. |
| | 2016/17 | ≥98% | Achieved | 98.05% | |

Emergency management - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|---------------------|------|-----------------|--------|--|----------|
|---------------------|------|-----------------|--------|--|----------|

Level of service: The Council will support its communities in enabling them to be resilient and able to respond to, and recover from emergencies

| | | | | | |
|--|---------|---|--------------|--------------|--|
| Community response plans are developed in consultation with local communities and agencies at a settlement level | 2017/18 | Plans completed: Cooks Beach Tapu Thames Coast Port Charles* Colville* Plans under development: Hahei Whenuakite Manaia Matarangi | Not achieved | Not achieved | Our priority communities have changed due to recent tsunami modelling undertaken by Waikato Regional Council. The plans that have been completed are Te Puru and Pauanui. West coast plans are under development for: Port Charles, Te Mata, Tapu, Waiomu, Thornton Bay, Ngārimu Bay, and Whakatete. |
| | 2016/17 | Plans completed: Thames Te Puru Kuaotunu* Opotere/Onemana* Plans under development: Cooks Beach Tapu Thames Coast Port Charles* Colville* | Not achieved | Not achieved | |

Level of service: The Council will be prepared for and able to respond to emergencies

| | | | | | |
|--|---------|------|--------------|--------------|---|
| Accept responsibility for rural fire incidents within one hour of notification | 2017/18 | 100% | Not measured | Not measured | Rural Fire is now part of Fire Emergency New Zealand (FENZ) and no longer the responsibility of Council. |
| | 2016/17 | 100% | Achieved | 100% | |
| Number of civil defence training exercises conducted per annum | 2017/18 | ≥3 | Achieved | 5 | 1 x Full EOC Activation 1 x PA to the Controller sessions 1 x Response Manager Table Top 1 x Status Board Table Top 1 x Situation Report Table Top |
| | 2016/17 | ≥3 | Achieved | 4 | |

* These communities have volunteer rural fire parties and the Principal Rural Fire Officer will work with them to formulate their plans using a template.

Community spaces and development activity group

This activity group includes an activity for each of our Community Board areas:

- Coromandel-Colville community spaces and development
- Mercury Bay community spaces and development
- Tairua-Pauanui community spaces and development
- Thames community spaces and development
- Whangamata community spaces and development

Through this activity group we contribute to all three of our Council outcomes: a prosperous district, a liveable district, and a clean green district. Through our Community Management Team, each area delivers or supports local communities to provide a variety of indoor and outdoor spaces and facilities. These services are all governed by the local Community Board. This approach is based on the Council's recognition that there is a diverse range of needs and wants across the district which are better addressed at a local level to enhance residents and visitors experience of the Coromandel, and range from basic essentials to leisure and recreational pursuits.

These activities have a combination of the following services:

Airfields: Our airfields are primarily for recreational use with some commercial activity, and they are a useful resource in some emergency situations.

Cemeteries: These facilities meet the burial, remembrance and heritage needs of the community.

Community centres and halls: These facilities are provided to support recreation, social and cultural needs of the community.

Harbour facilities: These facilities are provided primarily to support a valued part of the Coromandel lifestyle for both residents and visitors; commercial activity is supported at some facilities.

Libraries: Library facilities and programmes are provided to support the cultural and education needs of our communities.

Parks and reserves: This service is provided to ensure there is access to a variety of parks, reserves and playgrounds which (for the most part) can be used for recreation and leisure.

Public conveniences: Public toilets, changing facilities and showers are provided in high demand areas throughout the district, for the convenience and public health of visitors and residents.

Swimming pools: These facilities are provided for recreational purposes, and to support water safety education and learn to swim programmes for the benefit of the community.

Coromandel-Colville community spaces and development - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|---------------------|------|-----------------|--------|--|----------|
|---------------------|------|-----------------|--------|--|----------|

Level of service: Council provides cemeteries that are tidy and well maintained spaces

| | | | | | |
|--|---------|------|--------------|------|---|
| Percentage of cemeteries maintained to mowing and litter standards | 2017/18 | ≥85% | Achieved | 100% | Coromandel-Colville currently has one operational cemetery and one historic cemetery. |
| | 2016/17 | ≥85% | Not achieved | 80% | |
| Percentage of cemetery interment requests responded to ≤1 day | 2017/18 | ≥90% | Achieved | 100% | Three ashes and five casket interments occurred. |
| | 2016/17 | ≥90% | Achieved | 100% | |

Level of service: The Council's public toilets are clean and safe

| | | | | | |
|--|---------|------|----------|------|--|
| Percentage of urgent customer enquiries resolved within 48 hours | 2017/18 | ≥85% | Achieved | 100% | Seven urgent customer requests were received and responded to within 48 hours. |
| | 2016/17 | ≥85% | Achieved | 86% | |

Level of service: Council provides harbour facilities in Coromandel and Port Charles that are safe to use

| | | | | | |
|---|---------|----------|----------|----------|---|
| Wharves are assessed in satisfactory condition (condition grades 1, 2 or 3) | 2017/18 | Achieved | Achieved | Achieved | Hannafords, Sugarloaf and Coromandel Wharf were all inspected by Morrison Low after the 5 January 2018 storm event. Hannafords and Sugarloaf were not found to have sustained any real damage and their condition remains grade 2 and 3 respectively. Coromandel wharf sustained damage to the pedestrian walkway. Work has been undertaken to make it safe to use in the short term and its condition remains grade 3. |
| | 2016/17 | Achieved | Achieved | Achieved | |

Level of service: To provide parks and reserves that are tidy and well maintained spaces

| | | | | | |
|---|---------|-------|----------|------|--|
| Percentage of parks and reserves related customer urgent enquiries resolved within 24 hours | 2017/18 | ≥85% | Achieved | 100% | 17 urgent customer requests were received. |
| | 2016/17 | ≥85%* | Achieved | 95% | |

Level of service: To provide playgrounds which are fit for purpose and safe

| | | | | | |
|---|---------|------|----------|------|--|
| Percentage of playground assets complying with safety standards | 2017/18 | ≥85% | Achieved | 100% | Four playgrounds are assessed monthly. |
| | 2016/17 | ≥85% | Achieved | 100% | |

Financially significant projects identified in the 2017/2018 Annual Plan

| Project | 2018 Actual (\$000) | 2018 AP budget (\$000) | Comment |
|--------------------------|---------------------|------------------------|--|
| Coromandel Hall renewals | \$108 | \$250 | During the design stage, additional items of scope were uncovered including the need to upgrade existing electrical infrastructure, bringing the building structure to earthquake code, replacing the existing flooring and additional storm water drainage. A budget of \$638,000 has been included in the 2018/2019 financial year to complete this work. External funding is currently being sought to assist with the cost of the repairs. Construction is due to start in February 2019 with completion by June 2019. |

Mercury Bay community spaces and development - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|--|---------|---|----------|-------------------------------------|---|
| Level of service: Council provides cemeteries that are tidy and well maintained spaces | | | | | |
| Percentage of cemeteries maintained to mowing and litter standards | 2017/18 | ≥85% | Achieved | 100% | Mercury Bay has one operational cemetery at present. |
| | 2016/17 | ≥85% | Achieved | 86% | |
| Percentage of cemetery interment requests responded to ≤1 day | 2017/18 | ≥90% | Achieved | 100% | 14 ashes interments and eight casket interments were carried out. |
| | 2016/17 | ≥90% | Achieved | 100% | |
| Level of service: Whitianga community centre is available and utilised for community activities | | | | | |
| Percentage of actual hours community centres are used compared to total available time | 2017/18 | ≥40% | Achieved | 49% | Out of 5,110 hours available, 2,497 were booked by users. |
| | 2016/17 | ≥40% | Achieved | 48% | |
| Level of service: The Council's public toilets are clean and safe | | | | | |
| Percentage of urgent customer enquiries resolved within 48 hours | 2017/18 | ≥85% | Achieved | 93% | 16 urgent customer requests were received with one response outside the timeframe. |
| | 2016/17 | ≥85% | Achieved | 95% | |
| Level of service: Council provides harbour facilities that are safe to use | | | | | |
| Wharves are assessed in satisfactory condition (condition grades 1, 2 or 3) | 2017/18 | Achieved | Achieved | Achieved | Condition assessment carried out in August 2017. Ferry Landing rated as 1 (excellent) and Whitianga rated as 3 (average). |
| | 2016/17 | Achieved | Achieved | Achieved | |
| Level of service: A choice of new materials and current information is available throughout the year | | | | | |
| Number of new items per 1,000 local residents | 2017/18 | ≥300 items per 1,000 local residents | Achieved | 301 items per 1,000 local residents | A total of 1,374 items were purchased of which 811 were for adults and 563 for children. |
| | 2016/17 | ≥300 items per 1,000 local residents | Achieved | 337 items per 1,000 local residents | |
| The number of active library users | 2017/18 | Maintain or increase 2013/14 baseline (3,988 users) | Achieved | 4,430 | There were 4,430 users which is above the 2013/14 baseline. |
| | 2016/17 | Maintain or increase 2013/14 baseline (3,988 users) | Achieved | 4,823 | |
| Level of service: To provide parks and reserves that are tidy and well maintained spaces | | | | | |
| Percentage of parks and reserves related customer urgent enquiries resolved within 24 hours | 2017/18 | ≥85% | Achieved | 86% | 71 urgent customer requests were received with 10 going outside the timeframe. |
| | 2016/17 | ≥85% | Achieved | 90% | |
| Level of service: To provide playgrounds which are fit for purpose and safe | | | | | |
| Percentage of playground assets complying with safety standards | 2017/18 | ≥85% | Achieved | 100% | There are 14 playgrounds that get assessed monthly. |
| | 2016/17 | ≥85% | Achieved | 98% | |

**Previously reported district-wide*

Financially significant projects identified in the 2017/2018 Annual Plan

| Project | 2018 Actual (\$000) | 2018 AP budget (\$000) | Comment |
|-------------------------------|---------------------|------------------------|---|
| Whitianga town centre upgrade | \$2,276 | \$4,683 | This multi-year project to upgrade the main street including wider footpaths, angle parking, realigned intersections, with improved pedestrian and shopper accesses as well as water, stormwater and wastewater infrastructure upgrades was approximately 50% complete at the end of June 2018. The remaining budget has been carried forward and the project is on track for completion by mid-November. |

Tairua-Pauanui community spaces and development - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|--|---------|--------------------------------------|--------------|--------------------------------------|--|
| Level of service: Pauanui airfield is safe for small aircraft | | | | | |
| Civil Aviation Authority (CAA) safety requirements are achieved | 2017/18 | Achieved | Achieved | 100% | The Civil Aviation Authority (CAA) inspects the Pauanui airfield every three years. The last CAA inspection was undertaken on 13 March 2016. Fortnightly inspections are conducted by Council staff in the intervening period and any identified issues are rectified at the time. |
| | 2016/17 | Achieved | Achieved | 100% | |
| Level of service: Council provides cemeteries that are tidy and well maintained spaces | | | | | |
| Percentage of cemeteries maintained to mowing and litter standards | 2017/18 | ≥85% | Achieved | 100% | Tairua-Pauanui has one operative and one historic cemetery. |
| | 2016/17 | ≥85% | Achieved | 100% | |
| Percentage of cemetery interment requests responded to ≤1 day | 2017/18 | ≥90% | Achieved | 100% | Thirteen ashes and twenty one casket interments completed were within time frame. |
| | 2016/17 | ≥90% | Achieved | 100% | |
| Level of service: To provide or support community centres and halls in proportionate/suitable for the communities they serve | | | | | |
| Percentage of actual hours community centres are used compared to total available time | 2017/18 | ≥40% | Not achieved | 7% | Of the 5,110 hours available this financial year, the Pauanui Hub was booked for 358 hours. However, the library and information centre parts of the building are utilised 6 days a week. |
| | 2016/17 | ≥40% | Not achieved | 6% | |
| Level of service: The Council's public toilets are clean and safe | | | | | |
| Percentage of urgent customer enquiries resolved within 48 hours | 2017/18 | ≥85% | Achieved | 90% | 11 urgent customer requests were received with one taking longer than 48 hours to resolve. |
| | 2016/17 | ≥85% | Achieved | 100% | |
| Level of service: Council provides harbour facilities that are safe to use | | | | | |
| Wharves are assessed in satisfactory condition (condition grades 1, 2 or 3) | 2017/18 | Achieved | Achieved | Achieved | Condition assessments are carried out by Council staff. The Tairua wharf is new and condition grade 1. The Royal Billy Wharf requires remedial work and is grade 2/3. |
| | 2016/17 | Achieved | Achieved | Achieved | |
| Level of service: A choice of new materials and current information is available throughout the year | | | | | |
| Number of new items per 1,000 local residents | 2017/18 | ≥300 items per 1,000 local residents | Achieved | 356 items per 1,000 local residents | A total of 453 items were purchased of which 280 were for adults and 173 for children. |
| | 2016/17 | ≥300 items per 1,000 local residents | Achieved | 1078 items per 1,000 local residents | |
| The number of active library users | 2017/18 | Maintain or increase 2013/14 | Achieved | 1,618 | Users increased by 29 compared to the previous year. |

| Performance measure | Year | Year end target | Result | | Comments |
|---------------------|---------|--|----------|-------|----------|
| | 2016/17 | baseline (1,373 users) Maintain or increase 2013/14 baseline (1,373 users) | Achieved | 1,589 | |

Level of service: To provide parks and reserves that are tidy and well maintained spaces

| | | | | | |
|---|----------------|-------------|-----------------|------------|--|
| Percentage of parks and reserves related customer urgent enquiries resolved within 24 hours | 2017/18 | ≥85% | Achieved | 90% | 70 urgent customer requests were received with seven going outside time frame. |
| | 2016/17 | ≥85% | Not achieved | 70% | |

Level of service: To provide playgrounds which are fit for purpose and safe

| | | | | | |
|---|----------------|-------------|-----------------|-------------|--|
| Percentage of playground assets complying with safety standards | 2017/18 | ≥85% | Achieved | 100% | There are 10 playgrounds in Tairua/Pauanui (seven in Pauanui and three in Tairua) and each one is audited monthly - meaning a total of 120 assessments were undertaken this year. Previously play spaces were counted as playgrounds by staff (17) however, this has been corrected to 10. |
| | 2016/17 | ≥85% | Achieved | 98% | |

Thames community spaces and development - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|--|---------|--------------------------------------|--------------|-------------------------------|--|
| Level of service: Thames airfield is safe for small aircraft | | | | | |
| Civil Aviation Authority (CAA) safety requirements are achieved | 2017/18 | Achieved | Achieved | Achieved | The Civil Aviation Authority (CAA) inspects the Thames airfield every three years. The last CAA inspection was undertaken on 13 March 2016. Monthly inspections are conducted by Council staff in the intervening months and any identified issues are rectified at the time. |
| | 2016/17 | Achieved | Achieved | Achieved | |
| Level of service: Council provides cemeteries that are tidy and well maintained spaces | | | | | |
| Percentage of cemeteries maintained to mowing and litter standards | 2017/18 | ≥85% | Achieved | 100% | Thames has two operational and two historic cemeteries. |
| | 2016/17 | ≥85% | Achieved | 100% | |
| Percentage of cemetery interment requests responded to ≤1 day | 2017/18 | ≥90% | Achieved | 97% | Of the 44 ashes interments two went outside timeframe. All 37 casket interments were undertaken within timeframe. |
| | 2016/17 | ≥90% | Achieved | 97% | |
| Level of service: Thames Civic Centre is available and utilised for community activities | | | | | |
| Percentage of actual hours community centres are used compared to total available time | 2017/18 | 40% | Not achieved | 36% | Out of 5,110 hours available 1,521 were booked by users. This result was expected due to a number of regular users of the facility now using the Jack McLean Community Recreation Centre. To assist in bringing booking numbers back up a dedicated resource will be assigned to work specifically on the promotion of the facility. |
| | 2016/17 | 40% | Achieved | 48% | |
| Level of service: The Council's public toilets are clean and safe | | | | | |
| Percentage of urgent customer enquiries resolved within 48 hours | 2017/18 | ≥85% | Achieved | 100% | 23 urgent customer requests were received and responded to within 48 hours. |
| | 2016/17 | ≥85% | Achieved | 95% | |
| Level of service: Council provides harbour facilities that are safe to use | | | | | |
| Wharves are assessed in satisfactory condition (condition grades 1, 2 or 3) | 2017/18 | Achieved | Not achieved | Thames wharf Grade 4 | Following remedial works undertaken to address safety concerns raised as a result of the assessment by Morrison Low, Thames Wharf has been graded a 4. |
| | 2016/17 | Achieved | Not achieved | Thames wharf Grade 4 | |
| Level of service: A choice of new materials and current information is available throughout the year | | | | | |
| Number of new items per 1,000 local residents | 2017/18 | ≥300 items per 1,000 local residents | Achieved | 304 items per 1,000 residents | A total of 3,149 items were purchased of which 2,010 were for adults and 1,139 for children. |

| Performance measure | Year | Year end target | Result | | Comments |
|------------------------------------|----------------|--|-----------------|-------------------------------|--|
| | 2016/17 | ≥300 items per 1,000 local residents | Achieved | 314 items per 1,000 residents | |
| The number of active library users | 2017/18 | Maintain or increase 2013/14 baseline (6,193 users) | Achieved | 6,728 | There were 535 users more than the 2013/14 baseline. |
| | 2016/17 | Maintain or increase 2013/14 baseline (6,193 users) | Achieved | 6,746 | |

Level of service: To provide parks and reserves that are tidy and well maintained spaces

| | | | | | |
|---|----------------|-------------|-----------------|------------|--|
| Percentage of parks and reserves related customer urgent enquiries resolved within 24 hours | 2017/18 | ≥85% | Achieved | 85% | Of 86 urgent customer requests received 13 went outside the timeframe. |
| | 2016/17 | ≥85% | Achieved | 87% | |

Level of service: To provide playgrounds which are fit for purpose and safe

| | | | | | |
|---|----------------|-------------|-----------------|-------------|---|
| Percentage of playground assets complying with safety standards | 2017/18 | ≥85% | Achieved | 100% | There are 7 playgrounds which get assessed monthly. |
| | 2016/17 | ≥85% | Achieved | 92% | |

Level of service: Council provides a safe year round swimming pool

| | | | | | |
|--|----------------|-----------------|-----------------|-----------------|--|
| Thames Pool meets PoolSafe accreditation standards | 2017/18 | Achieved | Achieved | Achieved | The Thames Centennial Pool is assessed annually in March by New Zealand Recreation Association (NZRA) as to whether it meets Poolsafe standards. The pool was assessed again this year and has been certified through to 1 April 2019. |
| | 2016/17 | Achieved | Achieved | Achieved | |

Financially significant projects identified in the 2017/2018 Annual Plan

| Project | 2018 Actual (\$000) | 2018 AP budget (\$000) | Comment |
|---|---------------------|------------------------|---|
| Jack McLean Community Recreation Centre | \$999 | \$0 | The Jack McLean Community Recreation Centre is a two court The unspent portion (\$442,193) of the 2016/2017 budget was carried forward into the 2017/2018 financial year. In addition, a budget of \$572,036 was approved by Council in December 2017 to remedy condensation issues on the underside of the roof structure in cold conditions. Legal and commercial avenues are being pursued to recover part of the cost associated with the additional roof work which delayed the opening. The official opening was on 16 February 2018. |
| Thames South water | \$846 | \$923 | This is a multi-year project with planned completion in the 2020/21 financial year. The 2017/2018 stage of the project included the consent application for increased water abstraction from the Apakura Stream, upgrades to Matatoki, Puriri and Hikutaia trunk mains and investigations for storage options in Puriri and Omahu. |

Whangamata community spaces and development - 2017/18 performance results

| Performance measure | Year | Year end target | Result | | Comments |
|--|---------|-----------------|--------------|--------------|--|
| Level of service: Council provides cemeteries that are tidy and well maintained spaces | | | | | |
| Percentage of cemeteries maintained to mowing and litter standards | 2017/18 | ≥85% | Achieved | 91% | Whangamata has one operational and one historic cemetery. Over the reporting period one cemetery failed an audit for mowing. |
| | 2016/17 | ≥85% | Achieved | 100% | |
| Percentage of cemetery interment requests responded to ≤1 day | 2017/18 | ≥90% | Not achieved | 88% | Five ashes and four casket interment requests were received. One casket interment request was not responded to within the 1 day timeframe. |
| | 2016/17 | ≥90% | Achieved | 100% | |
| Level of service: To provide or support community centres and halls in proportionate/suitable for the communities they serve | | | | | |
| Percentage of actual hours community centres are used compared to total available time | 2017/18 | ≥40% | Achieved | 41% | Out of 5,110 hours available the hall was booked for 2,117 of them. |
| | 2016/17 | ≥40% | Achieved | 41% | |
| Level of service: The Council's public toilets are clean and safe | | | | | |
| Percentage of urgent customer enquiries resolved within 48 hours | 2017/18 | ≥85% | Achieved | 90% | 20 urgent customer requests were received with two going outside the timeframe. |
| | 2016/17 | ≥85% | Not achieved | 81% | |
| Level of service: Council provides harbour facilities that are safe to use | | | | | |
| Wharves are assessed in satisfactory condition (condition grades 1, 2 or 3) | 2017/18 | Achieved | Achieved | Achieved | The wharf was assessed in August 2017 and has a grading of 3 (average) overall. |
| | 2016/17 | Achieved | Not achieved | Not achieved | |
| Level of service: To provide parks and reserves that are tidy and well maintained spaces | | | | | |
| Percentage of parks and reserves related customer urgent enquiries resolved within 24 hours | 2017/18 | ≥85% | Achieved | 90% | 70 urgent customer requests were received with seven going outside the timeframe. |
| | 2016/17 | ≥85% | Not achieved | 76% | |
| Level of service: To provide playgrounds which are fit for purpose and safe | | | | | |
| Percentage of playground assets complying with safety standards | 2017/18 | ≥85% | Achieved | 100% | There are four playgrounds (one in Onemana, three in Whangamata) that are assessed monthly. |
| | 2016/17 | ≥85% | Achieved | 98% | |

Economic development activity group

This activity group includes our economic development activity. This activity contributes to the achievement of two of our community outcomes: a prosperous district and a liveable district. Through the implementation of the Council's events and economic development strategies our economic development activity provides:

- Advocacy for a business friendly environment for existing business on the Coromandel
- Sector and business growth and development
- Investment attraction and facilitation
- Tourism destination management, marketing and visitor services
- Attraction and sponsorship of major events
- Development of key economic development related infrastructure
- A compelling economic and investment brand for the Thames-Coromandel

Our Economic development activity is responsible for bringing a consistent and integrated district-wide approach to economic development, tourism and major events. This is to help improve the Coromandel's economic performance and to support and enhance the ability of the district to compete nationally.

Economic development - 2017/18 performance results

| Performance measure | Year | Year end target | Result | Comments | |
|---|---------|---|--------------|----------|--|
| Level of service: Implement strategies and programmes to support and facilitate sustainable economic growth on the Coromandel | | | | | |
| Proportion of Priority One Economic Development Strategy Work Programme achieved (expressed as a number or percentage dependent on scale and detail of programme) | 2017/18 | 100% of the economic development 2017/18 work programme* achieved | Not achieved | 80% | Economic Development Strategy completed. The Kopu feasibility study will be completed in November 2018. Its completion wasn't able to align with the Annual Reporting period. West coast marina harbour facilities strategy adopted in December 2017 and work ongoing around use of these facilities. There are a number of initiatives underway as part of the Coromandel Harbour Facilities Project. |
| | 2016/17 | 75% of the economic development 2016/17 work programme* achieved | Achieved | 75% | |

*Economic development 2017/18 work programme:

- Review the Economic Development Strategy
- Refresh Project Kopu Plan
- Deliver a draft Coromandel Harbour/West Coast harbour facilities strategy for Long Term Plan budgeting discussions.

Financially significant projects identified in the 2017/2018 Annual Plan

| Project | 2018 Actual (\$000) | 2018 AP budget (\$000) | Comment |
|--------------------------|---------------------|------------------------|---|
| Lees Road seal extension | \$39 | \$3,030 | This multi-year project aimed to address existing and additional visitor numbers to the Cathedral Cove and Hahei area through the provision of a new car park and associated roading improvements at Lees Road associated with a new walkway "Te Ara-O Hei". The project included a legal agreement with the landowner, significant consultation with local residents of Lees Road and the wider area, as well as a number of consenting requirements. Negotiations with the landowner, and consenting requirements have resulted in the project being deferred |

| Project | 2018 Actual (\$000) | 2018 AP budget (\$000) | Comment |
|---------|---------------------|------------------------|--|
| | | | to 2019/20 and 2020/21 to allow time to address community/resident issues, progress legal negotiations and resource consenting requirements. |

Financial statements | Ngā Tauakī Pūtea

Guide to financial statements

Introduction

The Local Government Act 2002 requires the Council to report its actual performance compared to targets published in the Annual Plan. We report against both financial and non-financial measures. The main purpose of providing financial statements is to enable stakeholders (residents and ratepayers, other local authorities, business community groups, Government regulatory bodies etc.) to assess our performance and make decisions regarding the Council and how it conducts its business.

This information includes the statement of comprehensive revenue and expense, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the accompanying statement of significant accounting policies and notes to the financial statements. This information must be prepared according to generally accepted accounting practice and recognised accounting standards.

Statement of accounting policies

These explain the basis upon which the financial statements are prepared. They explain the methods adopted by the Council used to measure the transactions incorporated into the financial statements above.

Statement of comprehensive revenue and expense

The statement of revenue and expense shows all of the Council's revenue earned and expenses incurred for the 12 months up to 30 June 2018. Revenue includes income received from rates and other income such as investment income, rent and fees while expenses paid includes costs such as operating costs, interest payments and depreciation.

This statement shows how total comprehensive revenue and expense is derived. Total comprehensive revenue and expense is then added or subtracted from Council's equity as shown in the statement of changes in equity.

Statement of changes in equity

This statement provides information about the nature of changes in Council's equity during the year.

Statement of financial position

The statement of financial position shows the assets and liabilities of the Council as at 30 June 2018.

Assets include cash, accounts receivable (money owed to the Council but not yet received), investments, land, buildings, operational and infrastructural assets. Current assets are amounts owed to the Council that are expected to be received within the next 12 months while current liabilities are the Council's debts that are due to be paid within the next 12 months.

Investments are the Council funds held in income earning securities while property, plant and equipment are of a permanent nature and are held for the benefit of the community.

Non-current liabilities represent money owed by the Council that does not have to be paid within the next 12 months.

Statement of cash flows

This statement covers all the inflows and outflows of cash during the year covered by the statement of comprehensive revenue and expense. The statement of cash flows identifies the sources and application of cash in respect of the Council's operating, investing and financing activities.

Funding impact statement

The funding impact statements ("FIS") have been prepared in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014, which came into effect 17 March 2014. This is a reporting requirement unique to Local Government.

The disclosures contained within and the presentation of these statements is not prepared in accordance with generally accepted accounting practices ("GAAP").

The purpose of these statements is to report the net cost of services for significant groups of activities ("GOA") of the Council, and are represented by the revenue that can be attributed to these activities less the costs of providing the service. They contain all the funding sources for these activities and all the applications of this funding by these activities. The GOA FIS include internal transactions between activities such as internal overheads and charges applied and or recovered and internal borrowings. These GOA FIS are contained in "Our Services" section of this report.

The FIS is also prepared at the whole of Council level summarising the transactions contained within the GOA FIS, eliminating internal transactions, and adding in other transactions not reporting in the GOA statements.

These statements are based on cash transactions prepared on an accrual basis and as such do not include non cash/accounting transactions that are included with the statement of comprehensive revenue and expense as required under GAAP. These items include but are not limited to the Council's depreciation, gain and/or losses on revaluation and vested assets.

They also depart from GAAP as funding sources are disclosed within the FIS as being either for operational or capital purposes. Income such as subsidies received for capital projects, development contributions and proceeds from the sale of assets are recorded as capital funding sources. Under GAAP these are treated as income in the statement of comprehensive revenue and expense.

Notes to the financial statements

These notes to the accounts provide further details of what the summarised amounts reported on in the above financial statements are comprised of. The reference to the note is included in the financial statements 'Notes' column, beside the dollar values for the current financial year.

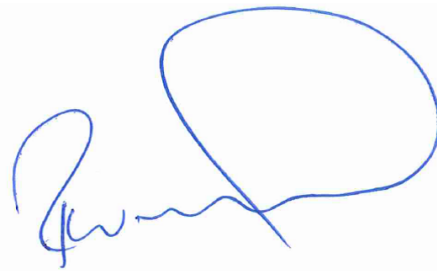
Statement of compliance

The Council of Thames-Coromandel District Council hereby confirms that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.



Mayor

30 October 2018



Chief Executive

30 October 2018

Statement of comprehensive revenue and expense

For the year ended 30 June 2018

| | Notes | 2018 Budget \$000's | 2018 Actual \$000's | 2017 Actual \$000's |
|--|-------|---------------------------|---------------------------|---------------------------|
| Revenue | | | | |
| Rates revenue | 3 | 63,488 | 62,786 | 60,906 |
| Fees and charges | 3 | 10,322 | 11,435 | 11,191 |
| Development and financial contributions | | 1,733 | 3,228 | 2,132 |
| Subsidies and grants | 3 | 8,734 | 7,525 | 8,733 |
| Interest revenue | 3 | 12 | 608 | 156 |
| Other revenue | 3 | 7,079 | 5,268 | 6,999 |
| Total revenue | | 91,367 | 90,851 | 90,117 |
| Expenses | | | | |
| Personnel costs | 4 | 18,154 | 17,535 | 16,013 |
| Depreciation and amortisation expense | 18 | 19,524 | 19,350 | 18,523 |
| Finance costs | 5 | 2,624 | 2,470 | 2,242 |
| Other expenses | 6 | 41,811 | 47,116 | 44,066 |
| Total expenses | | 82,114 | 86,471 | 80,845 |
| Share of joint venture surplus/(deficit) | 15 | 0 | (22) | 9 |
| Surplus/(deficit) before tax | | 9,253 | 4,357 | 9,281 |
| Income tax expense | 7 | 0 | 0 | 0 |
| Surplus/(deficit) after tax | | 9,253 | 4,357 | 9,281 |
| Other comprehensive revenue and expense | | | | |
| Gain on property, plant and equipment revaluations | | 25,889 | 44,794 | 97,513 |
| Gain/(loss) on financial assets revaluations | | 0 | 15 | 2 |
| Total other comprehensive revenue and expense | | 25,889 | 44,809 | 97,514 |
| Total comprehensive revenue and expense | | 35,142 | 49,166 | 106,795 |

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in note 30.

Statement of financial position

As at 30 June 2018

| | Notes | 2018 Budget \$000's | 2018 Actual \$000's | 2017 Actual \$000's |
|--|-------|---------------------------|---------------------------|---------------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 8 | 449 | 199 | 95 |
| Receivables | 9 | 3,746 | 8,041 | 8,717 |
| Other financial assets | 13 | 0 | 9,570 | 99 |
| Inventory | 10 | 125 | 108 | 102 |
| Total current assets | | 4,320 | 17,917 | 9,013 |
| Non-current assets | | | | |
| Postponed rates | 9 | 488 | 433 | 370 |
| Investments in joint ventures | 15 | 0 | 105 | 127 |
| <i>Other financial assets:</i> | | | | |
| Investments in CCOs and similar entities | 13 | 0 | 951 | 791 |
| Investments in other entities | 13 | 1,053 | 60 | 60 |
| Total other financial assets | | 1,053 | 1,010 | 850 |
| Intangible assets | 17 | 6,901 | 5,336 | 5,837 |
| Forestry assets | 19 | 2,965 | 2,803 | 2,523 |
| Property, plant and equipment | 16 | 1,431,041 | 1,481,402 | 1,432,395 |
| Total non-current assets | | 1,442,448 | 1,491,089 | 1,442,102 |
| Total assets | | 1,446,768 | 1,509,006 | 1,451,115 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Payables and deferred revenue | 20 | 10,752 | 15,621 | 17,252 |
| Derivative financial instruments | 12 | 132 | 1,255 | 1,303 |
| Employee entitlements | 22 | 1,644 | 1,666 | 1,723 |
| Provisions | 23 | 1,057 | 673 | 626 |
| Borrowings | 21 | 15,000 | 15,600 | 12,200 |
| Total current liabilities | | 28,586 | 34,816 | 33,105 |
| Non-current liabilities | | | | |
| Derivative financial instruments | 12 | 1,687 | 3,330 | 3,265 |
| Employee entitlements | 22 | 200 | 218 | 190 |
| Provisions | 23 | 6,096 | 5,182 | 5,262 |
| Borrowings | 21 | 33,011 | 30,000 | 23,000 |
| Total non-current liabilities | | 40,993 | 38,730 | 31,717 |
| Total liabilities | | 69,578 | 73,546 | 64,822 |
| Net assets (assets minus liabilities) | | 1,377,189 | 1,435,460 | 1,386,293 |
| Equity | | | | |
| Accumulated funds | 26 | 398,039 | 393,190 | 388,686 |
| Reserves | 26 | 979,150 | 1,042,271 | 997,607 |
| Total equity | | 1,377,189 | 1,435,460 | 1,386,293 |

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in note 30.

Statement of changes in equity

For the year ended 30 June 2018

| | Notes | 2018 Budget \$000's | 2018 Actual \$000's | 2017 Actual \$000's |
|--|-----------|---------------------------|---------------------------|---------------------------|
| Balance at 1 July | | 1,342,047 | 1,386,293 | 1,279,498 |
| Total comprehensive revenue and expense for the year | | 35,142 | 49,166 | 106,795 |
| Balance at 30 June | 26 | 1,377,189 | 1,435,460 | 1,386,293 |

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided for in note 30.

Statement of cash flows

For the year ended 30 June 2018

| | 2018 Budget \$000's | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Receipts from rates revenue | 63,450 | 60,663 | 58,358 |
| Receipts from other revenue | 21,467 | 24,366 | 23,313 |
| Interest received | 12 | 110 | 156 |
| Dividends received | 0 | 6 | 6 |
| GST (net) | 0 | (281) | (203) |
| Payments to suppliers and employees | (60,008) | (61,106) | (58,614) |
| Interest paid | (2,624) | (2,470) | (2,202) |
| Net cash flow from operating activities | 22,297 | 21,288 | 20,814 |
| Cash flows from investing activities | | | |
| Advance payments received | 0 | 29 | 0 |
| Receipts from sale of property, plant and equipment | 582 | 610 | 117 |
| Advance payments made | 0 | (9,659) | (13) |
| Purchase of property, plant and equipment | (29,758) | (22,414) | (21,513) |
| Purchase of intangible assets | (417) | (150) | (519) |
| Net cash flow from investing activities | (29,592) | (31,584) | (21,928) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 9,745 | 55,200 | 8,500 |
| Repayment of finance lease liabilities | 0 | 0 | 0 |
| Repayment of borrowings | (2,390) | (44,800) | (8,300) |
| Net cash flow from financing activities | 7,354 | 10,400 | 200 |
| Net increase/(decrease) in cash and cash equivalents | 59 | 104 | (914) |
| Cash and cash equivalents at the start of the year | 390 | 95 | 1,009 |
| Cash and cash equivalents at the end of the year | 474 | 199 | 95 |

Statement of cash flows for the year ended 30 June 2018

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

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Surplus/(deficit) after tax | 4,357 | 9,281 |
| Add/(less) non-cash items | | |
| Vested assets | (4,299) | (3,682) |
| Amortisation | 628 | 647 |
| Depreciation | 18,722 | 17,876 |
| (Gains)/losses in fair value of forestry assets | (280) | 226 |
| Net (gains)/losses on interest rate swaps | 17 | (1,839) |
| Impairment of spare parts | (6) | 23 |
| Total non-cash items | 14,782 | 13,251 |
| Add/(less) movements in working capital items | | |
| Increase/(decrease) in payables | (1,563) | 80 |
| Increase/(decrease) in provisions | 106 | (1,181) |
| Increase/(decrease) in employee entitlements | (29) | 69 |
| (Increase)/decrease in receivables | 473 | (2,074) |
| Net movement in working capital items | (1,013) | (3,106) |
| Add/(less) items classified as investing activities | | |
| (Gains)/losses on sale of property, plant and equipment | 3,140 | 1,397 |
| Share of joint venture's surplus | 22 | (9) |
| Total items classified as investing activities | 3,162 | 1,388 |
| Net cash inflow/(outflow) from operating activities | 21,288 | 20,814 |

Notes to the financial statements

Note 1 - Statement of accounting policies

REPORTING ENTITY

Thames-Coromandel District Council (Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

Council's 40% interest in a jointly controlled entity called the Thames Valley Emergency Operating Area (TVEOA) is equity accounted into the financial statements.

The Council provides local infrastructure, local public services and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Council are for the year ended 30 June 2018. The financial statements were authorised for issue by Council on 30 October 2018.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements of the Council have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with PBE standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), other than the remuneration and the severance payment disclosures in note 4, and the related party transaction disclosures in Note 27. The remuneration, severance payment, and related party transaction disclosures are rounded to the nearest dollar.

Standards issued that are not yet effective that have been early adopted

A standard issued and not yet effective that has been adopted early by Council is as follows:

PBE IPSAS 21 - Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash-Generating Assets

This Standard amends PBE IPSAS 21 Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash-Generating Assets so that assets measured at revalued amounts under the revaluation model in PBE IPSAS 17 Property, Plant and Equipment and PBE IPSAS 31 Intangible Assets are within the scope of PBE IPSAS 21 and PBE IPSAS 26.

As a result of the amendments, an entity is required to assess at each reporting date whether there is any indication that an asset, or group of assets, may be impaired. If any indication exists, the entity is then required to assess the recoverable service amount (non-cash-generating asset) or recoverable amount (cash-generating asset) of that asset, or group of assets, and recognise an impairment loss if the recoverable service amount or recoverable amount is less than the carrying amount.

However, where an impairment loss is recognised for an asset, or group of assets, that is revalued, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset, or group of assets, belongs.

Other changes in accounting policies

There have been no other changes in accounting policies.

Interests in other entities

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34-38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6-8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council and group has not yet assessed the effects of these new standards.

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 *Financial Instruments*. PBE IFRS 9 replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council and group has not yet assessed the effects of this new standard.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by Council in its 2017/18 annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Council for the preparation of these financial statements.

Critical accounting estimates and assumptions

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

- Estimating the fair value of land, buildings, and infrastructural assets - see Note 16
- Estimating the retirement and long service leave obligations - see Note 22
- Estimating the landfill aftercare provision - see Note 23
- Estimating leaky home settlement costs - see Note 23

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

- Donated or vested land and buildings with use or return conditions – see Note 3
- Classification of property – see Note 16.

Note 2 - Summary revenue and expenditure for group of activities

Accounting Policy

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below.

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

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area. There have been no changes to the cost allocation methodology during the year.

Breakdown of summary revenue and expenditure for group of activities

| | 2018 Budget \$000s | 2018 Actual \$000's | 2017 Actual \$000's |
|---|-----------------------------------|------------------------------------|------------------------------------|
| Revenue | | | |
| Representation | 4,905 | 4,489 | 4,355 |
| Planning and regulation | 8,828 | 9,072 | 8,813 |
| Protection of people and the environment | 3,551 | 3,718 | 3,719 |
| Roads and footpaths | 16,313 | 16,110 | 15,141 |
| Community spaces and development | 13,592 | 13,987 | 14,600 |
| Economic development | 2,956 | 2,355 | 2,382 |
| Water | 9,327 | 9,470 | 9,099 |
| Wastewater | 16,209 | 16,514 | 16,209 |
| Stormwater | 3,223 | 3,321 | 3,200 |
| Solidwaste | 6,715 | 7,866 | 7,502 |
| Activity revenue | 85,619 | 86,903 | 85,022 |
| Revenue not directly attributable to an activity | | | |
| Revenue from vested assets | 1,596 | 4,299 | 3,682 |
| Gain on revaluation of interest rate swaps | 4,588 | 0 | 1,839 |
| Gain on revaluation of forestry | | 280 | |
| Gain on disposal of assets | 0 | 35 | 0 |
| Other revenue | 216 | 6 | 232 |
| <i>Less internal revenue</i> | <i>(652)</i> | <i>(672)</i> | <i>(659)</i> |
| Total revenue | 91,367 | 90,851 | 90,117 |
| Expenditure | | | |
| Representation | 6,349 | 5,808 | 5,139 |
| Planning and regulation | 10,182 | 11,589 | 9,776 |
| Protection of people and the environment | 3,477 | 3,194 | 3,263 |
| Roads and footpaths | 14,185 | 15,077 | 15,273 |
| Community spaces and development | 12,086 | 13,238 | 11,079 |
| Economic development | 3,995 | 2,341 | 2,212 |
| Water | 9,002 | 8,424 | 8,622 |
| Wastewater | 14,069 | 13,370 | 15,018 |
| Stormwater | 3,082 | 3,130 | 3,015 |
| Solidwaste | 6,339 | 7,780 | 6,446 |
| Activity expenditure | 82,765 | 83,951 | 79,842 |
| Expenditure not directly attributable to an activity | | | |
| Loss on revaluation of forestry | 0 | 0 | 226 |
| Loss on revaluation of interest rate swaps | 0 | 17 | 0 |
| Impairment of inventory | 0 | 0 | 23 |
| Loss on disposal of assets | 0 | 3,175 | 1,397 |
| Other expenditure | 0 | | 0 |
| <i>Less internal expenditure</i> | <i>(652)</i> | <i>(672)</i> | <i>(659)</i> |
| Total expenditure | 82,114 | 86,471 | 80,829 |

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to activities (see Note 3). In order to fairly reflect the total external operations for the Council in the statement of comprehensive revenue and expense, these transactions are eliminated as shown above.

Note 3 - Revenue

Accounting policy

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivable and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

Development and financial contributions

Development and financial contributions from subdivision consents are recognised as income upon the granting of the resource consent and prior to the completion certificate being issued pursuant to Section 224c of the Resource Management Act 1991. Contributions from land use consents are recognised as income upon the granting of the resource consent.

Development contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until the Council provides, or is able to provide, the service.

New Zealand Transport Agency roading subsidies

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if the conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grants are satisfied.

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Entrance fees

Entrance fees are fees charged to users of the Council's local facilities, such as the pool. Revenue from entrance fees is recognised upon entry to such facilities.

Landfill fees

Fees from disposing of waste at the Council's landfills are recognised as waste is disposed by users.

Provision of commercially based services

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date. Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

Sale of goods

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

Infringement fees and fines

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

Accounting policy (continued)

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on the unit rate for each specific component vested. These unit rates are calculated by Council and peer reviewed on an annual basis by a suitably qualified external valuer on an annual basis. Should no unit rate exist for a specific type of asset at the time Council obtains control of the asset, then the value is determined by using the construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (for example, land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability is released to revenue as the conditions are met (for example, the funds are spent for the nominated purpose).

Interest and dividends

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

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

Critical judgements in applying accounting policies

Accounting for donated or vested land and buildings with use or return conditions

The Council has received land and buildings from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received. The Council considers that an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise the revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

(i) Breakdown of rates and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|------------------------------------|------------------------------------|
| General rates | 5,399 | 5,274 |
| Uniform annual general charge | 10,888 | 10,082 |
| Targeted rates attributable to activities: | | |
| - Targeted rates for metered water supply | 1,442 | 1,452 |
| - Other targeted rates | 44,820 | 43,877 |
| Rates penalties | 938 | 898 |
| Rates remissions | (701) | (676) |
| Total rates | 62,786 | 60,906 |

The following rating base information is disclosed on the rating base information at the end of the **preceding** financial year:

| As at 30 June | 2017 |
|--------------------------------------|----------------|
| Number of rating units | 27,246 |
| Total capital values of rating units | 14,932,241,850 |
| Total land value of rating units | 9,530,082,500 |

Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by Council from other local authorities for services provided by that Council for which those other Local Authorities rate. The annual rates income of Council for the year ended 30 June 2018 for the purposes of the LGFA Guarantee and Indemnity Deed is shown below.

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|------------------------------------|------------------------------------|
| Rates | 63,487 | 61,582 |
| Total gross annual rates income | 63,487 | 61,582 |

(ii) Breakdown of subsidies and grants

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|------------------------------------|------------------------------------|
| New Zealand Transport Agency roading subsidies | 6,852 | 6,502 |
| New Zealand Defence Force cemetery subsidies | 8 | 6 |
| Other subsidies | 0 | 0 |
| Other grants | 665 | 2,224 |
| Total subsidies and grants | 7,525 | 8,733 |

(iii) Breakdown of fees and charges

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---------------------------------------|------------------------------------|------------------------------------|
| Building and resource consent charges | 4,723 | 4,678 |
| Solid waste revenue | 3,229 | 3,005 |
| Land information memoranda sales | 296 | 383 |
| Other fees and charges | 3,187 | 3,125 |
| Total fees and charges | 11,435 | 11,191 |

(iv) Breakdown of interest revenue

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--------------------------------------|------------------------------------|------------------------------------|
| Interest revenue | | |
| Term deposits | 182 | 131 |
| Borrower notes interest revenue | 2 | 0 |
| Postponed rates | 27 | 25 |
| Discount unwind on provisions | 398 | 0 |
| Related party loans | 0 | 0 |
| Community loans | 0 | 0 |
| Local authority and government bonds | 0 | 0 |
| Total interest revenue | 608 | 156 |

(v) Breakdown of other revenue

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|------------------------------------|------------------------------------|
| Petrol tax | 399 | 428 |
| Traffic and parking infringements | 189 | 203 |
| Court fees and fines | 27 | 43 |
| Plant and equipment | 26 | 0 |
| Vested land and infrastructure from property development | 4,299 | 3,682 |
| Forestry asset revaluation gains | 280 | 0 |
| Gain on changes in fair value of derivative financial instruments | 0 | 1,839 |
| Property, plant and equipment gains on disposal | 35 | 0 |
| Dividend revenue | 6 | 6 |
| Other | 8 | 798 |
| Total other revenue | 5,268 | 6,999 |

Operating leases as a lessor

The Council leases some properties held for future strategic purposes under operating leases. Lease terms range anywhere from 12 months to 21 years (with lease review every 3 years). The future aggregate minimum lease payments is to be collected under non-cancellable operating leases are as follows:

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Operating leases as lessor | | |
| Not later than one year | 614 | 732 |
| Later than one year and not later than five years | 1,463 | 1,692 |
| Later than five years | 1,778 | 2,085 |
| Total non-cancellable operating leases | 3,855 | 4,510 |

No contingent rents have been recognised during the year.

Note 4 - Personnel costs

Accounting policy

Superannuation schemes

Defined contribution schemes

Employer contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

Defined benefit schemes

The Council makes employer contributions to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit plan accounting, as it is not possible to determine from the terms of the scheme the extent to which the scheme's surplus or deficit will affect future contributions by individual employers, as there is no prescribed bases for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Breakdown of personnel costs and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Salaries and wages | 17,139 | 15,548 |
| Employer contributions to defined contribution plans | 426 | 396 |
| Increase/(decrease) in employee entitlements | (29) | 69 |
| Total personnel costs | 17,535 | 16,013 |

Chief Executive remuneration

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$345,835 (2017: \$345,004).

Council employee remuneration by band

Total remuneration includes any non-financial benefits provided to employees.

| | 2018 Actual \$000's |
|---|---------------------------|
| Total annual remuneration by band for employees as at 30 June 2018 | |
| < \$60,000 | 82 |
| \$60,000-\$79,999 | 55 |
| \$80,000-\$99,999 | 45 |
| \$100,000-\$119,999 | 15 |
| \$120,000-\$139,999 | 9 |
| \$140,000-\$199,999 | 11 |
| \$200,000-\$359,999 | 2 |
| Total employees | 219 |

| | 2017 Actual \$000's |
|---|---------------------------|
| Total annual remuneration by band for employees as at 30 June 2017 | |
| < \$60,000 | 94 |
| \$60,000-\$79,999 | 58 |
| \$80,000-\$99,999 | 35 |
| \$100,000-\$119,999 | 13 |
| \$120,000-\$139,999 | 6 |
| \$140,000-\$179,999 | 6 |
| \$180,000-\$359,999 | 7 |
| Total employees | 219 |

At balance date, the Council employed 176 (2017: 172) full-time employees, with the balance of staff representing 27 (2017: 27) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

Elected representatives' remuneration

Elected representatives received the following remuneration:

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Elected representatives received the following remuneration: | | |
| Previous Council | | |
| Mayor Glenn Leach | 0 | 35 |
| Deputy Mayor Peter French | 0 | 18 |
| Councillor Tony Brljevic | 0 | 12 |
| Councillor Diane Connors | 0 | 9 |
| Councillor Tony Fox | 0 | 16 |
| Councillor Sandra Goudie | 0 | 9 |
| Councillor Murray McLean JP | 0 | 12 |
| Councillor Jack Wells | 0 | 9 |
| Councillor Jan Bartley | 0 | 9 |
| Present Council | | |
| Mayor Sandra Goudie | 120 | 77 |
| Deputy Mayor Tony Brljevic | 47 | 33 |
| Councillor Tony Fox | 45 | 32 |
| Councillor Murray McLean JP | 43 | 29 |
| Councillor Jan Bartley | 32 | 22 |
| Councillor Rex Simpson | 35 | 25 |
| Councillor Sally Christie | 36 | 25 |
| Councillor Strat Peters | 35 | 25 |
| Councillor Terry Walker | 43 | 29 |
| Total elected representatives remuneration | 436 | 426 |

Severance payments

For the year ended 30 June 2018, the Council made 10 (2017: 1) severance payment to employees totalling \$304,619 (2017: \$5,000). The value of each of the severance payments was \$99,495; \$43,854; \$38,054; \$30,693; \$24,453; \$17,578; \$17,487; \$15,582; \$13,000; \$4,423.

Note 5 - Finance costs

Accounting policy

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

Breakdown of finance costs

| | 2018 Actual \$000's | 2017 Actual \$000's |
|-------------------------------|---------------------------|---------------------------|
| Interest expense | | |
| Interest on borrowings | 2,470 | 2,202 |
| Discount unwind on provisions | 0 | 40 |
| Net finance costs | 2,470 | 2,242 |

Note 6 - Other expenses

Accounting policy

Grant expenditure

The Council's grants awarded have no substantive conditions attached.

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

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant.

Operating leases

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

Breakdown of other expenses and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Fees to auditors: | | |
| fees to Audit New Zealand for audit of financial statements | 143 | 141 |
| - fees to Audit New Zealand for other services | 4 | 4 |
| - fees to Audit New Zealand for Long Term Plan | 116 | 0 |
| General grants | 375 | 319 |
| Operating lease expense | 27 | 49 |
| Impairment of receivables | 549 | 469 |
| Impairment of property intended for sale | 0 | 0 |
| Impairment of spare parts for obsolescence | 0 | 23 |
| Property, plant and equipment and intangible assets losses on disposal | 3,175 | 1,397 |
| Derivative financial instruments revaluation losses | 17 | 0 |
| Forestry asset revaluation losses | 0 | 226 |
| Other operating expenses | 42,710 | 41,438 |
| Total other expenses | 47,116 | 44,066 |

Operating leases as lessee

The Council leases property, plant and equipment in the normal course of business. The lease has a non-cancellable term of 12 months. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Not later than one year | 6 | 6 |
| Later than one year and not later than five years | 17 | 19 |
| Later than five years | 8 | 12 |
| Total non-cancellable operating leases | 31 | 37 |

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2017: \$nil). The Council cannot assign or sublet the property without prior written consent of the lessor.

The lease can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does not have the option to purchase the asset at the end of the lease term.

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

Note 7 - Tax

Accounting policy

Income tax expense includes components relating to both current and deferred tax. The Council is exempt from income tax with the exception of income derived from wharf operations. Historically, the deductible operating expenditure has offset any operating revenue that is subject to income tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of the assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Breakdown of taxes and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Components of tax expense | | |
| Current tax expense | 0 | 0 |
| Deferred tax expense | 0 | 0 |
| Tax expense | 0 | 0 |
| Relationship between tax expense and accounting surplus | | |
| Net surplus /(deficit) before tax | 4,357 | 9,281 |
| Tax at 28% | 1,220 | 2,599 |
| Plus /(less) tax effect of: | | |
| Non-taxable revenue | (1,252) | (2,415) |
| Tax losses not recognised | 32 | |
| Deferred tax adjustment | 0 | (184) |
| Tax expense | 0 | 0 |

| | PPE \$000's | Employee entitlements \$000's | Other provisions \$000's | Tax losses \$000's | Total \$000's |
|--|----------------|-------------------------------------|--------------------------------|-----------------------|------------------|
| Deferred tax asset (liability) | | | | | |
| Balance at 30 June 2016 | (375) | 0 | 0 | 375 | 0 |
| Charged to surplus or deficit | 257 | 0 | 0 | (257) | 0 |
| Charged to other comprehensive revenue and expense | (73) | 0 | 0 | 73 | 0 |
| Balance at 30 June 2017 | (191) | 0 | 0 | 191 | 0 |
| Charged to surplus or deficit | 32 | 0 | 0 | (32) | 0 |
| Charged to other comprehensive revenue and expense | (10) | 0 | 0 | 10 | 0 |
| Balance at 30 June 2018 | (169) | 0 | 0 | 169 | 0 |

Other tax-related disclosures

A deferred tax asset has not been recognised in relation to tax losses of \$4,669,233 (2017: \$4,224,759). Based on the extent to which it is probable that taxable profits will be available against which to deduct tax losses.

Note 8 - Cash and cash equivalents

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Breakdown of cash and cash equivalents and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Cash at bank and on hand | 149 | 77 |
| Domain committee current accounts | 50 | 18 |
| Total cash and cash equivalents | 199 | 95 |

The carrying value of cash at bank with maturities less than three months approximates their fair value. Cash and cash equivalents include that stated above for the purposes of the statement of cashflows.

Note 9 - Receivables

Accounting policy

Short-term receivables are recorded at their face value, less any provision for impairment for noncollectability.

A receivable is considered to be noncollectable when there is evidence that the amount due will not be fully collected.

The amount that is noncollectable is the difference between the amount due and the present value of the amount expected to be collected.

Breakdown of receivables and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Rates receivables | 6,488 | 6,355 |
| Other receivables: | | |
| Related party receivables | 0 | 0 |
| Other | 4,609 | 5,215 |
| Receivables prior to impairment | 11,097 | 11,570 |
| Less provision for impairment | (2,623) | (2,483) |
| Total receivables | 8,474 | 9,087 |
| Less non-current portion | | |
| Postponed rates | (433) | (370) |
| Total non-current portion | (433) | (370) |
| Current portion receivables | 8,041 | 8,717 |
| Total receivables comprise: | | |
| Receivables from non-exchange transactions - this includes outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates | 8,222 | 8,990 |
| Receivables from exchange transactions - this includes outstanding amounts for fees and charges that have not been subsidised by rates | 252 | 97 |

Fair value

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

The face value of postponed rates is \$433,097 (2017: \$370,084). Fair value has not been determined by using discounted cash flows.

Interest was charged at a rate of 6.99% on postponed rates for the 2017/18 year (2017: 6.71%). Future interest rates are notified annually in the Long-Term Plan or Annual Plan.

Postponed rates are secured by statutory land charges over the rating units on which rates have been postponed.

Impairment

The Council does not provide for any impairment on rates receivable, except on Maori Freehold Land as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts.

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

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their net present value of future payments if the impact of discounting is material.

The carrying amount of receivables that would otherwise be past due or impaired and whose terms have been renegotiated is \$5,779 (2017: \$3,281).

The ageing profile of receivables at year-end is detailed below:

| | 2018 | | | 2017 | | |
|------------------------------|----------------|-------------------|----------------|----------------|-------------------|----------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| Not past due | 4,151 | 0 | 4,151 | 4,320 | 0 | 4,320 |
| Past due 1-30 days | 69 | 0 | 69 | 604 | 0 | 604 |
| Past due 31-60 days | 55 | 0 | 55 | 34 | 0 | 34 |
| Past due >61 days | 6,389 | (2,623) | 3,766 | 6,243 | (2,483) | 3,760 |
| Total current portion | 10,664 | (2,623) | 8,041 | 11,200 | (2,483) | 8,717 |

All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of specific overdue receivables.

| | 2018 | 2017 |
|---------------------------------------|----------------|----------------|
| | Actual | Actual |
| | \$000's | \$000's |
| Individual impairment | 2,623 | 2,483 |
| Total provision for impairment | 2,623 | 2,483 |

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

| | 2018 | 2017 |
|------------------------------------|----------------|----------------|
| | Actual | Actual |
| | \$000's | \$000's |
| Past due >61 days | 2,623 | 2,483 |
| Total individual impairment | 2,623 | 2,483 |

Movements in the provision for impairment of receivables are as follows:

| | 2018 | 2017 |
|--|----------------|----------------|
| | Actual | Actual |
| | \$000's | \$000's |
| At 1 July | 2,483 | 2,342 |
| Additional provisions made during the year | 554 | 469 |
| Receivables written off during the period | (413) | (329) |
| At 30 June | 2,623 | 2,483 |

The Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Note 10 - Inventory

Accounting policy

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), and adjusted, when applicable, for any loss of service potential. Inventories acquired through non-exchange transactions are measured at fair value at the current replacement cost at the date of acquisition.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Breakdown of inventory and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Held for distribution inventory: | | |
| Water and sewerage reticulation spare parts | 108 | 102 |
| Total inventory | 108 | 102 |

Inventory held for distribution or consumption relates specifically to assets held for the replacement of key parts in the event of other part failures at any of the wastewater plants around the district. Replaced parts are repaired, where appropriate, and held for future use.

The addition to (write-down of) inventory during the year was \$6,000 (2017: (\$22,723)). There have been no reversals of write-downs (2017: Nil).

No inventory is pledged as security for liabilities (2017: Nil).

Note 11 - Non-current assets held for sale

Accounting policy

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

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

At balance date Council held no assets held for sale (2017: Nil).

Note 12 - Derivative financial instruments

Accounting policy

Derivative financial instruments are used to manage exposure to interest rate risks arising from the Council's financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to their fair value at each balance date. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. Any gains or losses arising from changes in fair value are recognised in the surplus or deficit.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the surplus or deficit.

The portion of the fair value of an interest rate derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion classified as non-current.

The Council has elected not to apply hedge accounting to its derivative financial instruments.

Breakdown of derivative financial instruments and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Liabilities | | |
| Current liability portion | | |
| Interest rate swaps | 1,255 | 1,303 |
| Total current liability portion | 1,255 | 1,303 |
| Non-current liability portion | | |
| Interest rate swaps | 3,330 | 3,265 |
| Total current liabilities portion | 3,330 | 3,265 |
| Total derivative financial instrument liabilities | 4,585 | 4,568 |

Fair value of interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to their present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Information about interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$62 million (2017: \$50.5 million). \$19.5 million of these interest rate swaps have start dates after year-end and are in line with forecasted borrowing requirements. At 30 June 2018, the fixed interest rates of the outstanding interest rate swaps varied from 3.29% to 6.10% (2017: 4.17% to 6.10%).

Note 13 - Other financial assets

Accounting policy

Financial assets (other than shares in subsidiaries) are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Term deposits, loans to subsidiaries and associates, and community loans (loans and receivables)

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

After initial recognition, term deposits, loans to subsidiaries and associates, and community loans are measured at amortised cost using the effective interest method. Where applicable, interest accrued is added to the investment balance.

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments are indicators that the asset is impaired.

If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

Listed and unlisted shares

Shares (other than shares in subsidiaries) are designated at fair value through other comprehensive revenue and expense.

After initial recognition, the shares are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

For shares, a significant or prolonged decline in the fair value of the shares below its cost is considered to be objective evidence of impairment. If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

Breakdown of other financial assets and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Current portion | | |
| Short-term deposits with maturities of 4-12 months | 9,570 | 99 |
| Total current portion | 9,570 | 99 |
| Non-current portion | | |
| Investment in CCOs and similar entities: | | |
| Local Government Funding Agency | 820 | 660 |
| Local Authority Shared Services Limited | 131 | 131 |
| Total investment in CCOs and similar entities | 951 | 791 |
| Investment in other entities: | | |
| Civic Financial Services Ltd | 41 | 41 |
| Cooks Beach Wall Limited | 18 | 18 |
| Total investment in other entities | 60 | 60 |
| Total non-current portion | 1,010 | 850 |
| Total other financial assets | 10,580 | 950 |

Term deposits

The carrying amount of term deposits approximates their fair value.

Unlisted shares

The fair value of Local Authority Shared Services Limited has not been disclosed because its fair value cannot be reliably measured, as there is no active market for this type of equity instrument. Therefore, this investment is held at cost.

The fair value of the Council's investment in NZ Local Government Insurance Corporation (trading as Civic Assurance) is \$41,222 (2017: \$41,494). This is based on the Council's share, currently 0.24% (2017: 0.24%), of the assets less liabilities of the company.

Due to the immaterial size and nature of the Council's investment in the LGFA, the Council has estimated the fair value of this investment based on the LGFA's net asset backing as at 30 June.

Impairment

There are no impairment provisions for other financial assets. At balance date, none of these financial assets are either past due or impaired.

Note 14 - Investment in associate

Accounting policy

An associate is an entity, over which Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are recognised under the equity method of accounting as prescribed in PBE IPSAS 7 Investments in Associates whereby the investment in the associate is recognised at cost with the carrying amount adjusted to reflect the ownership interest in the associate.

Council has elected to recognise its interests in both the Hauraki Rail Charitable Trust and Destination Coromandel Trust as associates of Council. However, given that Council does not have an ownership interest in either trust and that no share of the profit or loss is made to Council, it is impractical for Council to recognise its relationship with both trusts through this method of accounting. Nevertheless, the relationship is recognised as a related party with the appropriate disclosures made in accordance with PBE IPSAS 20 Related Party Disclosures.

Note 15 - Investment in joint venture

Accounting policy

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over an activity.

Council has a 40% interest in a jointly controlled entity called the Thames Valley Emergency Operating Area (TVEOA). Council is the administering authority of this entity and accounts for its interest in this entity under the equity-method of accounting using the alternative disclosure of PBE IPSAS 7.

The Council's interests in the jointly controlled operation are as follows:

| | 2018 Actual \$000's | 2017 Actual \$000's |
|-----------------------------------|---------------------------|---------------------------|
| Current assets | 62 | 114 |
| Non-current assets | 59 | 33 |
| Current liabilities | (16) | (19) |
| Non-current liabilities | 0 | 0 |
| Net assets | 105 | 127 |
| Revenue | 160 | 205 |
| Expenses | 183 | 196 |
| Share of surplus/(deficit) | (22) | 9 |

Note 16 - Property, plant and equipment

Accounting policy

Property, plant and equipment consist of the following types of assets and asset classes:

Operational assets - These include land, buildings and improvements, library books, furniture and fittings, plant and equipment, swimming pools, refuse processing and disposal, computer hardware, and motor vehicles.

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

Infrastructural assets - Infrastructure assets are the fixed utility systems owned by the Council including roads, footpaths, bridges and culverts, water, wastewater, storm water, reserve improvements and harbour facilities. Each asset class includes that are required for the network to function.

Recognition and measurement

Land (operation and restricted) is measured at fair value, and buildings, refuse processing and disposal and all infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Unformed or paper roads

An unformed or paper road is a term for a road that is legally established and recorded in survey plans, but has not been formed, and that ownership of the land associated with the paper road resides with the Council.

The Council does not recognise land under unformed paper roads in the financial statements because there is little or no service potential from the majority of these paper roads. Valuing these assets is also difficult. It is difficult to measure the service benefit to the public from having access to these routes. There is also limited market data detailing recent sales of such small individual areas arguably due to the high cost of disposal.

Revaluations

Land (excluding land under roads) is revalued bi-annually, buildings and infrastructural assets are revalued annually to ensure that their carrying amount does not differ materially from fair value. Land under roads was revalued in July 2011 by Jordan Valuers. Subsequently land values reported have used the 2011 Jordan Valuers' valuation as a base and have had the NZ Transport Agency's (NZTA) land valuation index values applied. The 2016 reported land values have been indexed to 2017 values using the NZTA index based on the increase for urban and rural state highway land within each ward of the Council network.

The carrying value of land is assessed annually between the revaluation cycles to ensure that it does not differ materially from the assets' fair values. If there is a material difference, then the asset class is revalued.

Revaluations of property are accounting for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

Property, plant, and equipment is initially recognised at cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Accounting policy (continued)

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land and assets under construction (work in progress), at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Operational assets

| | | |
|------------------------|-------------|-------------|
| Buildings | 2-60 years | 1.7%-50.0% |
| Computer hardware | 2-10 years | 10.0%-50.0% |
| Furniture and fittings | 2-25 years | 4.0%-50.0% |
| Library collections | 10 years | 10.0% |
| Plant and machinery | 3-25 years | 4.0%-33.3% |
| Solid waste | 5-80 years | 1.3%-20.0% |
| Swimming pool | 10-50 years | 2.0%-10.0% |

Infrastructural assets

| | | |
|----------------------|--------------|------------|
| Reserve improvements | 5-80 years | 1.3%-20.0% |
| Bridges | 60-100 years | 1.0%-1.7% |
| Footpaths | 20-50 years | 2.0%-5.0% |
| Harbour facilities | 5-100 years | 1.0%-20.0% |
| Water | 5-100 years | 1.0%-20.0% |
| Wastewater | 2-100 years | 1.0%-50.0% |
| Stormwater | 5-100 years | 1.0%-20.0% |
| Roads | 10-99 years | 1.0%-10.0% |

Impairment

Property, plant and equipment assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount.

An impairment loss on a non-revalued asset is recognised in surplus or deficit. However, an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets or asset. Such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets or asset.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and the availability of information.

Assets under construction

Assets under construction are not depreciated. The total cost of a completed project is transferred to the relevant asset class at balance date.

Critical accounting estimates and assumptions

Land (operational, restricted, and infrastructural)

The most recent valuation of land was performed by an independent registered valuer, QV Valuations, Hamilton. The valuation is effective as at 1 July 2016.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the “unencumbered” land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

Buildings (operational and restricted)

The most recent valuation of buildings was performed by an independent registered valuer, Curnow Tizard Limited, Hamilton. The valuation is effective as at 1 July 2017.

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- Where buildings are not readily tradable, such as public toilets, the valuer has assessed their value within the context of fair value being the price that they would expect the Council to pay for such a facility, if that situation had arisen.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value.

Infrastructural asset classes

Wastewater, water, stormwater, harbours, solid waste, parks and roads, footpaths and bridges are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset;
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets. Where this information was not available, rates have been calculated based on those used in the last valuation adjusted by the appropriate cost adjustment factor.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over-or underestimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.

Harrison Grierson of Wellington was commissioned by Council to carry out an independent review of the methodology used to complete Council's infrastructure asset valuation as at 1 July 2017.

Opus International Consultants Limited of Paeroa performed the most recent valuation for all roading assets (including footpaths, bridges and land under roads), and the valuation is effective as at 1 July 2017.

Total Council property, plant and equipment

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Cost / valuation - opening balance | 1,456,303 | 1,350,522 |
| Accumulated depreciation and impairment | (23,909) | (24,869) |
| Total - opening balance | 1,432,395 | 1,325,653 |
| Current year additions | 26,572 | 28,620 |
| Current year disposals | (4,275) | (3,372) |
| Current year disposals depreciation | 547 | 1,858 |
| Current year depreciation charge | (18,631) | (17,876) |
| Impairments | (1,393) | |
| Reversed on revaluation - Cost | (16,896) | (16,979) |
| Reversed on revaluation - Accumulated depreciation | 16,896 | 16,979 |
| Revaluation surplus | 46,187 | 97,513 |
| Total - closing balance | 1,481,402 | 1,432,395 |
| At cost / valuation - closing balance | 1,506,499 | 1,456,303 |
| Accumulated depreciation and impairment | (25,097) | (23,909) |
| Total Council property, plant and equipment - closing balance | 1,481,402 | 1,432,395 |

Movement in the carrying value for each class of property, plant and equipment are as follows:

Buildings

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Buildings - at cost / valuation - opening balance | 28,842 | 27,440 |
| Accumulated depreciation and impairment | (1,068) | (982) |
| Total buildings - opening balance | 27,774 | 26,458 |
| Current year additions | 5,880 | 459 |
| Current year disposals | 0 | 0 |
| Current year disposals depreciation | 0 | 0 |
| Current year depreciation charge | (1,260) | (1,068) |
| Reversed on revaluation - Cost | (1,068) | (982) |
| Reversed on revaluation - Accumulated depreciation | 1,068 | 982 |
| Revaluation surplus | 2,535 | 1,925 |
| Total buildings - closing balance | 34,929 | 27,774 |
| Buildings - at cost / valuation - closing balance | 36,189 | 28,842 |
| Accumulated depreciation and impairment | (1,260) | (1,068) |
| Total buildings - closing balance | 34,929 | 27,774 |

Computer hardware

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Computer hardware - at cost - opening balance | 4,021 | 3,719 |
| Accumulated depreciation and impairment | (3,228) | (3,127) |
| Total computer hardware - opening balance | 794 | 592 |
| Reclassification | (6) | 0 |
| Current year additions | 139 | 449 |
| Current year disposals | (91) | (147) |
| Current year disposals depreciation | 91 | 145 |
| Reversed on revaluation - Cost | 0 | 0 |
| Reversed on revaluation - Accumulated depreciation | 0 | 0 |
| Current year depreciation charge | (275) | (246) |
| Total computer hardware - closing balance | 652 | 794 |
| Computer hardware - at cost - closing balance | 4,064 | 4,021 |
| Accumulated depreciation and impairment | (3,412) | (3,228) |
| Total computer hardware - closing balance | 652 | 794 |

Furniture and fittings

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Furniture and fittings - at cost - opening balance | 1,508 | 2,176 |
| Accumulated depreciation and impairment | (1,037) | (1,632) |
| Total furniture and fittings - opening balance | 471 | 544 |
| Current year additions | 285 | 57 |
| Current year disposals | (11) | (725) |
| Current year disposals depreciation | 8 | 725 |
| Reversed on revaluation - Cost | 0 | 0 |
| Reversed on revaluation - Accumulated depreciation | 0 | 0 |
| Current year depreciation charge | (116) | (131) |
| Total furniture and fittings - closing balance | 637 | 471 |
| Furniture and fittings - at cost - closing balance | 1,782 | 1,508 |
| Accumulated depreciation and impairment | (1,145) | (1,037) |
| Total furniture and fittings - closing balance | 637 | 471 |

Operational land

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Operational land - at cost / valuation - opening balance | 80,719 | 67,445 |
| Accumulated depreciation and impairment | 0 | 0 |
| Total operational land - opening balance | 80,719 | 67,445 |
| Reclassification | 0 | (327) |
| Current year additions | 0 | 0 |
| Current year disposals | (580) | (57) |
| Current year disposals depreciation | 0 | 0 |
| Current year depreciation charge | 0 | 0 |
| Reversed on revaluation - Cost | 0 | 0 |
| Reversed on revaluation - Accumulated depreciation | 0 | 0 |
| Revaluation surplus | 0 | 13,658 |
| Total operational land - closing balance | 80,139 | 80,719 |
| Operational land - at cost / valuation - closing balance | 80,139 | 80,719 |
| Accumulated depreciation and impairment | 0 | 0 |
| Total operational land - closing balance | 80,139 | 80,719 |

Library collections

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Library collections - at cost - opening balance | 2,069 | 1,953 |
| Accumulated depreciation and impairment | (1,403) | (1,262) |
| Total library collections - opening balance | 666 | 691 |
| Current year additions | 111 | 116 |
| Current year disposals | 0 | 0 |
| Current year disposals depreciation | 0 | 0 |
| Reversed on revaluation - Cost | 0 | 0 |
| Reversed on revaluation - Accumulated depreciation | 0 | 0 |
| Current year depreciation charge | (141) | (141) |
| Total library collections - closing balance | 636 | 666 |
| Library collections - at cost - closing balance | 2,181 | 2,069 |
| Accumulated depreciation and impairment | (1,545) | (1,403) |
| Total library collections - closing balance | 636 | 666 |

Plant and machinery

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Plant and machinery - at cost - opening balance | 2,646 | 3,286 |
| Accumulated depreciation and impairment | (1,344) | (1,869) |
| Total plant and machinery - opening balance | 1,303 | 1,417 |
| Current year additions | 283 | 365 |
| Current year disposals | (174) | (1,005) |
| Current year disposals depreciation | 125 | 810 |
| Reversed on revaluation - Cost | 0 | 0 |
| Reversed on revaluation - Accumulated depreciation | 0 | 0 |
| Current year depreciation charge | (256) | (285) |
| Total plant and machinery - closing balance | 1,280 | 1,303 |
| Plant and machinery - at cost - closing balance | 2,755 | 2,646 |
| Accumulated depreciation and impairment | (1,475) | (1,344) |
| Total plant and machinery - closing balance | 1,280 | 1,303 |

Solid waste

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Solid waste - at cost / valuation - opening balance | 4,710 | 4,458 |
| Accumulated depreciation and impairment | (215) | (206) |
| Total solid waste - opening balance | 4,495 | 4,252 |
| Current year additions | 288 | 369 |
| Current year disposals | (53) | (1) |
| Current year disposals depreciation | 4 | 0 |
| Current year depreciation charge | (205) | (216) |
| Reversed on revaluation - Cost | (215) | (206) |
| Reversed on revaluation - Accumulated depreciation | 215 | 206 |
| Revaluation surplus | (25) | 90 |
| Total solid waste - closing balance | 4,504 | 4,495 |
| Solid waste - at cost / valuation - closing balance | 4,705 | 4,710 |
| Accumulated depreciation and impairment | (202) | (215) |
| Total solid waste - closing balance | 4,504 | 4,495 |

Bridges

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Bridges - at cost / valuation - opening balance | 17,369 | 18,001 |
| Accumulated depreciation and impairment | (358) | (363) |
| Total bridges - opening balance | 17,012 | 17,639 |
| Reclassification | 32 | 0 |
| Current year additions | 0 | 0 |
| Current year disposals | 0 | 0 |
| Current year disposals depreciation | 0 | 0 |
| Current year depreciation charge | (349) | (358) |
| Reversed on revaluation - Cost | (358) | (363) |
| Reversed on revaluation - Accumulated depreciation | 358 | 363 |
| Revaluation surplus | (301) | (269) |
| Total bridges - closing balance | 16,393 | 17,012 |
| Bridges - at cost / valuation - closing balance | 16,743 | 17,369 |
| Accumulated depreciation and impairment | (349) | (358) |
| Total bridges - closing balance | 16,393 | 17,012 |

Footpaths

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Footpaths - at cost / valuation - opening balance | 16,988 | 16,444 |
| Accumulated depreciation and impairment | (730) | (714) |
| Total footpaths - opening balance | 16,258 | 15,730 |
| Reclassification | 49 | 0 |
| Current year additions | 629 | 775 |
| Current year disposals | (40) | (22) |
| Current year disposals depreciation | 2 | 1 |
| Current year depreciation charge | (743) | (731) |
| Reversed on revaluation - Cost | (730) | (714) |
| Reversed on revaluation - Accumulated depreciation | 730 | 714 |
| Revaluation surplus | (204) | 505 |
| Total footpaths - closing balance | 15,952 | 16,258 |
| Footpaths - at cost / valuation - closing balance | 16,692 | 16,988 |
| Accumulated depreciation and impairment | (741) | (730) |
| Total footpaths - closing balance | 15,952 | 16,258 |

Harbour facilities

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Harbour facilities - at cost / valuation - opening balance | 7,392 | 7,517 |
| Accumulated depreciation and impairment | (193) | (195) |
| Total harbour facilities - opening balance | 7,199 | 7,323 |
| Current year additions | 1,805 | 548 |
| Current year disposals | (51) | (0) |
| Current year disposals depreciation | 2 | 0 |
| Current year depreciation charge | (198) | (193) |
| Reversed on revaluation - Cost | (193) | (195) |
| Reversed on revaluation - Accumulated depreciation | 193 | 195 |
| Revaluation surplus | (75) | (478) |
| Total harbour facilities - closing balance | 8,682 | 7,199 |
| Harbour facilities - at cost / valuation - closing balance | 8,878 | 7,392 |
| Accumulated depreciation and impairment | (196) | (193) |
| Total harbour facilities - closing balance | 8,682 | 7,199 |

Reserve improvements

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Reserve improvements - at cost / valuation - opening balance | 19,743 | 15,046 |
| Accumulated depreciation and impairment | (1,116) | (1,051) |
| Total reserve improvements - opening balance | 18,628 | 13,995 |
| Reclassification | 6 | 0 |
| Current year additions | 2,034 | 4,587 |
| Current year disposals | (254) | (68) |
| Current year disposals depreciation | 19 | 12 |
| Current year depreciation charge | (1,213) | (1,127) |
| Reversed on revaluation - Cost | (1,116) | (1,051) |
| Reversed on revaluation - Accumulated depreciation | 1,116 | 1,051 |
| Revaluation surplus | 3,764 | 1,230 |
| Total reserve improvements - closing balance | 22,984 | 18,628 |
| Reserve improvements - at cost / valuation - closing balance | 24,177 | 19,743 |
| Accumulated depreciation and impairment | (1,193) | (1,116) |
| Total reserve improvements - closing balance | 22,984 | 18,628 |

Roads

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Roads - at cost / valuation - opening balance | 647,615 | 611,980 |
| Accumulated depreciation and impairment | (4,089) | (4,573) |
| Total roads - opening balance | 643,526 | 607,407 |
| Reclassification | (82) | 0 |
| Current year additions | 8,699 | 8,459 |
| Current year disposals | (1,384) | (1,172) |
| Current year disposals depreciation | 247 | 155 |
| Current year depreciation charge | (5,059) | (4,243) |
| Reversed on revaluation - Cost | (4,089) | (4,573) |
| Reversed on revaluation - Accumulated depreciation | 4,089 | 4,573 |
| Revaluation surplus | 32,468 | 32,920 |
| Total roads - closing balance | 678,416 | 643,526 |
| Roads - at cost / valuation - closing balance | 683,228 | 647,615 |
| Accumulated depreciation and impairment | (4,812) | (4,089) |
| Total roads - closing balance | 678,416 | 643,526 |

Stormwater

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Stormwater - at cost / valuation - opening balance | 99,623 | 98,625 |
| Accumulated depreciation and impairment | (1,446) | (1,412) |
| Total stormwater - opening balance | 98,177 | 97,213 |
| Current year additions | 2,548 | 1,197 |
| Current year disposals | (58) | (2) |
| Current year disposals depreciation | 1 | 0 |
| Current year depreciation charge | (1,403) | (1,446) |
| Reversed on revaluation - Cost | (1,446) | (1,412) |
| Reversed on revaluation - Accumulated depreciation | 1,446 | 1,412 |
| Revaluation surplus | (699) | 1,215 |
| Total stormwater - closing balance | 98,565 | 98,177 |
| Stormwater - at cost / valuation - closing balance | 99,968 | 99,623 |
| Accumulated depreciation and impairment | (1,402) | (1,446) |
| Total stormwater - closing balance | 98,565 | 98,177 |

Wastewater

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Wastewater - at cost / valuation - opening balance | 157,053 | 159,527 |
| Accumulated depreciation and impairment | (4,784) | (4,702) |
| Total wastewater - opening balance | 152,269 | 154,825 |
| Current year additions | 3,660 | 1,583 |
| Current year disposals | (648) | (74) |
| Current year disposals depreciation | 34 | 8 |
| Impairment - Cost | (1,393) | 0 |
| Current year depreciation charge | (4,621) | (4,792) |
| Reversed on revaluation - Cost | (4,784) | (4,702) |
| Reversed on revaluation - Accumulated depreciation | 4,784 | 4,702 |
| Revaluation surplus | 4,116 | 719 |
| Total wastewater - closing balance | 153,417 | 152,269 |
| Wastewater - at cost / valuation - closing balance | 158,004 | 157,053 |
| Accumulated depreciation and impairment | (4,587) | (4,784) |
| Total wastewater - closing balance | 153,417 | 152,269 |

Water

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Water - at cost / valuation - opening balance | 107,055 | 105,113 |
| Accumulated depreciation and impairment | (2,898) | (2,782) |
| Total water - opening balance | 104,158 | 102,331 |
| Reclassification | 327 | 0 |
| Current year additions | 3,634 | 2,833 |
| Current year disposals | (264) | (37) |
| Current year disposals depreciation | 14 | 2 |
| Current year depreciation charge | (2,790) | (2,899) |
| Reversed on revaluation - Cost | (2,898) | (2,782) |
| Reversed on revaluation - Accumulated depreciation | 2,898 | 2,782 |
| Revaluation surplus | 4,609 | 1,928 |
| Total water - closing balance | 109,360 | 104,158 |
| Water - at cost / valuation - closing balance | 112,136 | 107,055 |
| Accumulated depreciation and impairment | (2,776) | (2,898) |
| Total water - closing balance | 109,360 | 104,158 |

Reserves land

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Reserves land - at cost / valuation - opening balance | 249,733 | 204,399 |
| Accumulated depreciation and impairment | 0 | 0 |
| Total reserves land - opening balance | 249,733 | 204,399 |
| Reclassification | 0 | 327 |
| Current year additions | 50 | 937 |
| Current year disposals | 0 | 0 |
| Current year disposals depreciation | 0 | 0 |
| Current year depreciation charge | 0 | 0 |
| Reversed on revaluation - Cost | 0 | 0 |
| Reversed on revaluation - Accumulated depreciation | 0 | 0 |
| Revaluation surplus | 0 | 44,070 |
| Total reserves land - closing balance | 249,784 | 249,733 |
| Reserves land - at cost / valuation - closing balance | 249,784 | 249,733 |
| Accumulated depreciation and impairment | 0 | 0 |
| Total reserves land - closing balance | 249,784 | 249,733 |

Tangible work in progress

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Work in progress - at cost - opening balance | 9,215 | 3,392 |
| Accumulated depreciation and impairment | 0 | 0 |
| Total work in progress - opening balance | 9,215 | 3,392 |
| Current year capitalised | (7,721) | 0 |
| Current year additions | 4,246 | 5,886 |
| Current year disposals | (666) | (63) |
| Total work in progress - closing balance | 5,074 | 9,215 |
| Work in progress - at cost - closing balance | 5,074 | 9,215 |
| Accumulated depreciation and impairment | 0 | 0 |
| Total work in progress - closing balance | 5,074 | 9,215 |

Work in progress

| | 2018 Actual \$000's | 2017 Actual \$000's |
|-------------------------------|---------------------------|---------------------------|
| Airfields | 0 | 0 |
| Buildings | 0 | 10 |
| Cemetries | 12 | 0 |
| Coastal & Hazard Management | 0 | 125 |
| Economic Development | 399 | 0 |
| Emergency Management | 3 | |
| Halls | 539 | 0 |
| Harbours | 169 | 1,521 |
| Libraries | 0 | 0 |
| Parks & Reserves | 126 | 4,965 |
| Public Conveniences | 72 | 926 |
| Representation | 8 | 0 |
| Roading | 2,722 | 911 |
| Solid Waste | 31 | 17 |
| Stormwater | 12 | 177 |
| Wastewater | 192 | 0 |
| Water | 789 | 563 |
| Total work in progress | 5,074 | 9,215 |

Disposals

The carrying book value of the amount disposed was \$3.72 million (2017: \$1.51 million).

There were no significant disposal of work in progress for the year.

Impairment

There have been no impairment losses recognised for plant and equipment (2017: nil).

Security

No property, plant or equipment has been pledged as security for any liability.

Restrictions

Land in the "Restricted Asset" category is subject to either restrictions on use, or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land under a bequest or donation that restricts the purpose for which the assets can be used).

Capital commitments

The amount of contractual commitments for acquisition of property, plant, and equipment is:

| | 2018 Actual \$000's | 2017 Actual \$000's |
|----------------------------------|---------------------------|---------------------------|
| Capital commitments | | |
| Buildings | 0 | 27 |
| Bridges | 0 | 286 |
| Roads and footpaths | 3,013 | 661 |
| Wastewater | 2,603 | 451 |
| Stormwater | 400 | 583 |
| Water | 937 | 869 |
| Harbour facilities | 0 | 30 |
| Reserve improvements | 0 | 173 |
| Total capital commitments | 6,953 | 3,081 |

Additional disclosures

Core infrastructure asset disclosures

Included within the Council infrastructure assets above are the following core Council assets:

| | Closing book value | Additions: constructed by Council | Additions: transferred to Council | Most recent replacement cost estimate for revalued assets |
|--|--------------------|-----------------------------------|-----------------------------------|---|
| | \$000's | \$000's | \$000's | \$000's |
| 2018 | | | | |
| Water | | | | |
| treatment plants and facilities | 24,577 | 1,783 | 0 | 40,660 |
| other assets (such as reticulation system) | 84,783 | 1,501 | 351 | 138,046 |
| Wastewater | | | | |
| treatment plants and facilities | 76,106 | 2,514 | 276 | 111,452 |
| other assets (such as reticulation system) | 77,311 | 46 | 824 | 136,845 |
| Stormwater | | | | |
| treatment plants and facilities | 2,120 | 34 | 0 | 3,530 |
| other assets (such as reticulation system) | 96,445 | 1,204 | 1,310 | 141,831 |
| Roads and footpaths | | | | |
| Roads and footpath assets | 710,761 | 7,841 | 1,487 | 820,538 |
| 2017 | | | | |
| Water | | | | |
| treatment plants and facilities | 21,047 | 1,685 | 0 | 35,644 |
| other assets (such as reticulation system) | 83,111 | 793 | 354 | 135,336 |
| Wastewater | | | | |
| treatment plants and facilities | 76,998 | 74 | 0 | 107,987 |
| other assets (such as reticulation system) | 75,271 | 1,101 | 408 | 127,909 |
| Stormwater | | | | |
| treatment plants and facilities | 2,470 | 47 | 0 | 3,442 |
| other assets (such as reticulation system) | 95,707 | 423 | 727 | 140,540 |
| Roads and footpaths | | | | |
| Roads and footpath assets | 676,796 | 7,535 | 1,700 | 774,100 |

Insurance of Council assets

The following information relates to the insurance of Council assets as at 30 June:

In the event of a natural disaster, central government may contribute up to 60% towards the restoration of water, drainage and sewerage assets, and provide a subsidy towards the restoration of roads

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| The total value of all Council assets covered by insurance contracts | 514,466 | 503,628 |
| The maximum amount to which insured assets are insured | 247,745 | 248,277 |
| The total value of all Council assets covered by financial risk sharing arrangements | 512,721 | 501,395 |
| Maximum amount available to the Council under financial risk sharing arrangements | 216,000 | 216,000 |
| Total value of assets that are self-assured | 0 | 0 |
| The value of funds maintained for self-insurance | 0 | 0 |

Note 17 - Intangible assets

Accounting Policy

Software acquisition and development

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

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

Staff training costs are recognised in the surplus or deficit when incurred.

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

Costs associated with the development and maintenance of the Council's website are recognised as an expense when incurred.

Easements

Easements are not cash generating in nature, instead they give Council the right to access private property where infrastructural assets are located.

The Council has not valued and recognised easements as an intangible asset under PBE IPSAS 31 Intangibles. The work required identifying and developing a central register to record easements and paper roads would be considerable and difficult to ensure that it was comprehensive and complete. The Council is also concerned that the cost to establish the register would be substantial with minimal benefits being achieved. Registered valuers would have difficulty determining a fair value for the easements due to their unique nature, and having no active market for this particular asset type. There is also no recognised valuation methodology.

For these reasons, the Council has opted not to recognise easements as an intangible asset because they cannot be quantified and the value of the easements cannot be measured reliably.

Resource consents

It is difficult to determine the fair value of resource consents due to their specialised nature and having no active market to compare values against. For these reasons, the Council holds resource consents at deemed cost and they are amortised over the life of the asset.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

| | | |
|--------------------|------------|------------|
| Computer software | 3-5 years | 20% to 33% |
| Resource consents | 5-35 years | 3% to 20% |
| Aerial photography | 5 years | 20% |

Impairment of property, plant and equipment and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Breakdown of intangible assets and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Cost - opening balance | 11,652 | 11,506 |
| Accumulated amortisation and impairment | (5,815) | (5,540) |
| Total - opening balance | 5,837 | 5,965 |
| Current year additions | 242 | 518 |
| Current year disposals | (538) | (372) |
| Disposal accumulated amortisation | 515 | 372 |
| Amortisation charge | (719) | (647) |
| Total - closing balance | 5,336 | 5,837 |
| At cost - closing balance | 11,355 | 11,652 |
| Accumulated amortisation and impairment | (6,019) | (5,815) |
| Total Council intangible assets - closing balance | 5,336 | 5,836 |

Movements in the carrying value for each class of intangible assets are as follows:

Computer software

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Computer software - at cost - opening balance | 4,007 | 3,897 |
| Accumulated amortisation and impairment | (3,048) | (3,084) |
| Total computer software - opening balance | 959 | 813 |
| Current year additions | 128 | 482 |
| Current year disposals | (538) | (373) |
| Disposal accumulated amortisation | 515 | 372 |
| Amortisation charge | (399) | (336) |
| Total computer software - closing balance | 665 | 959 |
| Computer software - at cost - closing balance | 3,596 | 4,007 |
| Accumulated amortisation and impairment | (2,931) | (3,048) |
| Total computer software - closing balance | 665 | 959 |

Aerial photography

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Aerial photography - at cost - opening balance | 443 | 443 |
| Accumulated amortisation and impairment | (443) | (443) |
| Total aerial photography - opening balance | 0 | 0 |
| Current year additions | 0 | 0 |
| Current year disposals | 0 | 0 |
| Disposal accumulated amortisation | 0 | 0 |
| Amortisation charge | 0 | 0 |
| Total aerial photography - closing balance | 0 | 0 |
| Aerial photography - at cost - closing balance | 443 | 443 |
| Accumulated amortisation and impairment | (443) | (443) |
| Total aerial photography - closing balance | 0 | 0 |

Resource consents

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Resource consents - at cost - opening balance | 6,992 | 6,781 |
| Accumulated amortisation and impairment | (2,326) | (2,014) |
| Total resource consents - opening balance | 4,666 | 4,767 |
| Current year additions | 74 | 210 |
| Current year disposals | 0 | 0 |
| Disposal accumulated amortisation | 0 | 0 |
| Amortisation charge | (320) | (311) |
| Total resource consents - closing balance | 4,420 | 4,665 |
| Resource consents - at cost - closing balance | 7,066 | 6,992 |
| Accumulated amortisation and impairment | (2,646) | (2,326) |
| Total resource consents - closing balance | 4,420 | 4,665 |

Work in progress

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Work in progress - at cost - opening balance | 211 | 385 |
| Accumulated amortisation and impairment | 0 | 0 |
| Total work in progress - opening balance | 211 | 385 |
| Current year additions | 40 | (173) |
| Current year disposals | 0 | 0 |
| Disposal accumulated amortisation | 0 | 0 |
| Amortisation charge | 0 | 0 |
| Total work in progress - closing balance | 251 | 211 |
| Work in progress - at cost - closing balance | 251 | 211 |
| Accumulated amortisation and impairment | 0 | 0 |
| Total work in progress - closing balance | 251 | 211 |

Work in progress

The total amount of intangible assets in the course of construction is nil (2017: \$0.2 million). The negative movement of \$0.2 million is WIP disposed and/or capitalised.

Restrictions

There are no restrictions over the title of intangible assets. No intangible assets are placed as security for liabilities.

Capital commitments

The amount of contractual commitments for acquisition of intangible assets are:

| | 2018 Actual \$000's | 2017 Actual \$000's |
|----------------------------------|---------------------------|---------------------------|
| Capital commitments | | |
| Intangible assets | 0 | 71 |
| Total capital commitments | 0 | 71 |

Note 18 - Depreciation and amortisation expense by group of activity

Directly attributable depreciation and amortisation by group of activity

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Representation | 11 | 6 |
| Planning & regulation | 0 | 0 |
| Managing the environment | 54 | 49 |
| Protection of people & the environment | 2 | 32 |
| Roading | 6,157 | 5,322 |
| Community spaces | 2,572 | 2,307 |
| Economic development | 95 | 102 |
| Stormwater | 1,408 | 1,451 |
| Wastewater | 4,876 | 5,040 |
| Land use | 0 | 0 |
| Water supply | 2,858 | 2,964 |
| Solid waste | 205 | 216 |
| Total directly attributable depreciation and amortisation by group of activity | 18,238 | 17,491 |
| Depreciation and amortisation not directly related to a group of activities | 1,113 | 1,032 |
| Total depreciation and amortisation expense | 19,350 | 18,523 |

Note 19 - Forestry

Accounting policy

Standing forestry assets are independently revalued annually at fair value less estimated point of sale costs for harvesting, transport, roading and management for one growth cycle. Fair value is determined based on the present value of expected net cash flows that would arise if the asset were harvested today, discounted at a current market determined pre-tax rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silvicultural costs and takes into consideration environmental, operational and market restrictions. The valuation is of standing timber only, exclusive of the underlying land value.

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

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

Breakdown of forestry assets and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Balance at 1 July | 2,523 | 2,749 |
| Increases due to purchases | 0 | 0 |
| Gains / (losses) arising from changes attributable to physical changes | 241 | 232 |
| Gains / (losses) arising from changes attributable to price changes | 39 | (109) |
| Decreases due to harvest | 0 | (349) |
| Balance at 30 June | 2,803 | 2,523 |

The Council owns the trees standing on approximately 286 hectares of Crown land in Whangamata and Tairua consisting predominately of Pinus Radiata at various stages of maturity ranging from 1 to 40 years.

The land is owned by the Crown as State Forest and is leased to Rayonier (Matariki Forests) under a Crown Forests License. The Council occupies this land under the terms of a separate Crown Forest License. The land continues to be Crown owned until such time as the Crown disposes of it.

A licence fee is payable in respect of the Tairua forest and is based on the market value of the land. The Council has provided a guarantee to the Crown for the amount of \$45,000 to cover the part of the Tairua Crown Forest subject to a Crown Forest Licence. The Council guarantee is noted as a contingent liability.

No trees were harvested in the twelve month period ending 30 June 2018 (2017: 42.2 hectares).

There are no restrictions over the title of the forestry assets. No forestry assets are pledged as security for liabilities.

Valuation assumptions

Independent registered valuers, Hammond Resource Management Ltd have valued the forestry assets as at 30 June 2018. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- The forestry has been valued on a going concern basis and includes only the value of the existing crops on a single rotation basis.
- No allowance for inflation has been provided.
- Costs are current average costs. No allowance has been made for cost improvements in future operations.
- Log prices are based on a 3-year historical rolling average.
- The value is of standing timber only, exclusive of the value of the underlying land.
- A compound interest rate of 3% (2017: 3%) has been adopted as an appropriate compounding rate.
- A discount rate of 6% (2017: 6%) has been used in discounting the present value of expected cash flows.

The Council has not incurred any deforestation obligations (as defined in the New Zealand Emissions Trading Scheme (ETS)) as at 30 June 2018.

Should any future obligations arise under the ETS, Council will be required to purchase New Zealand Carbon Credit Units to surrender (NZUs) in order to offset this obligation. These units can only be settled with cash.

Financial risk management strategies

Council is exposed to financial risks arising from changes in timber prices. Council intends to hold the forestry long-term and does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

Treaty settlement

The land the trees currently occupy is likely to be transferred to iwi as part of a Treaty Settlement.

While this has not yet occurred, it is likely in the near term (1-3 years). It has been suggested that such a transfer may impact on the Council's ability to dispose of wastewater to land. Should this occur, Council's only other option is for the disposal of treated effluent to water.

It should be noted however, that discussions to date indicate that it is more than likely that Council will retain the ability to discharge the treated effluent to land should the transfer of land ownership occur.

Note 20 - Payables and deferred revenue

Accounting policy

Short-term creditors and other payables are recorded at their face value.

Breakdown of payables and other information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Payables and deferred revenue under exchange transactions | | |
| Trade payables and accrued expenses | 12,955 | 14,806 |
| Amounts due to associates and joint venture | 0 | 0 |
| Total payables and deferred revenue under exchange transactions | 12,955 | 14,806 |
| Payables and deferred revenue under non-exchange transactions | | |
| Revenue in advance | 2,664 | 2,430 |
| Income tax payable | 0 | 0 |
| Other tax payable (e.g. GST and FBT) | 2 | 16 |
| Grants payable | 0 | 0 |
| Other grants and bequests received subject to substantive conditions not yet met | 0 | 0 |
| Total payables and deferred revenue under non-exchange transactions | 2,666 | 2,446 |
| Total payables and deferred revenue | 15,621 | 17,252 |

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms (excluding contract retentions). Therefore, the carrying value of creditors and other payables approximates their fair value.

Note 21 - Borrowings

Accounting Policy

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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

Financial guarantee contracts

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

Financial guarantee contracts have not been provided for in the statement of financial position because the Council has assessed the probability of a financial guarantee being called up as 'less than likely to occur' and the club or organisation has provided an indemnity to the Council that transfers ownership of the assets to the Council in the event of the guarantee being called up. The Council's exposure to any risk is therefore mitigated and minimal. As such, financial guarantees are disclosed as a contingent liability because it is less likely than not that a present obligation exists.

Breakdown of borrowings and other financial liabilities and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Current portion | | |
| Finance leases | 0 | 0 |
| Secured loans | 15,600 | 12,200 |
| Total current portion | 15,600 | 12,200 |
| Non-current portion | | |
| Finance leases | 0 | 0 |
| Secured loans | 30,000 | 23,000 |
| Total non-current portion | 30,000 | 23,000 |
| Total borrowings and other financial liabilities | 45,600 | 35,200 |

Interest terms for secured loans

The following facilities are issued at floating rates of interest and reset quarterly based on the 90-day bill rate plus a margin for credit risk.

Security

Council does not hold an overdraft facility.

Council's term loans are secured through a debenture, which grants security to the lender by way of a charge over the Council's general rates and rates revenue.

Description of leasing arrangements

The Council does not have any current finance leases.

Internal borrowings disclosure

Information on internal borrowings per activity group for is provided in the tables below. Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

| | Balance at 1 July \$000's | Borrowings \$000's | Repayments \$000's | Balance at 30 June \$000's | Interest paid \$000's |
|--|---------------------------------|-----------------------|-----------------------|----------------------------------|--------------------------|
| Year ended 30 June 2018 | | | | | |
| Representation | 2,137 | 97 | (358) | 1,877 | 115 |
| Planning and regulation | 847 | 584 | (234) | 1,197 | 46 |
| Protection of people & the environment | 1,010 | 69 | (171) | 907 | 54 |
| Roads & footpaths | 4,235 | 850 | (720) | 4,365 | 239 |
| Community spaces | 8,866 | 487 | (1,288) | 8,065 | 492 |
| Economic development | 732 | 27 | (178) | 581 | 40 |
| Stormwater | 1,467 | 16 | (177) | 1,306 | 79 |
| Wastewater | 42,041 | 40 | (7,250) | 34,832 | 2,261 |
| Water | 7,109 | 2 | (1,014) | 6,097 | 379 |
| Solid waste | 2,823 | 0 | (490) | 2,333 | 152 |
| Total | 71,268 | 2,172 | (11,881) | 61,560 | 3,857 |

| | Balance at 1 July \$000's | Borrowings \$000's | Repayments \$000's | Balance at 30 June \$000's | Interest paid \$000's |
|--|---------------------------------|-----------------------|-----------------------|----------------------------------|--------------------------|
| Year ended 30 June 2017 | | | | | |
| Representation | 2,073 | 134 | (70) | 2,137 | 124 |
| Planning and regulation | 101 | 768 | (22) | 847 | 6 |
| Protection of people & the environment | 1,015 | 30 | (35) | 1,010 | 62 |
| Roads & footpaths | 3,601 | 691 | (56) | 4,235 | 232 |
| Community spaces | 7,414 | 1,602 | (150) | 8,866 | 461 |
| Economic development | 561 | 224 | (54) | 732 | 41 |
| Stormwater | 2,220 | 39 | (792) | 1,467 | 133 |
| Wastewater | 44,927 | 339 | (3,225) | 42,041 | 2,685 |
| Water | 7,100 | 226 | (217) | 7,109 | 419 |
| Solid waste | 2,888 | 40 | (105) | 2,823 | 173 |
| Total | 71,902 | 4,093 | (4,726) | 71,268 | 4,334 |

Loan to finance interest expense

Included in internal borrowings for the year under review is the amount of \$1,467,290 (2017: \$1,454,321) which was raised to fund the interest on additional capacity loans which were not met by developer's contributions. This is in accordance with the Council's Development Contributions Policy.

Fair values

Due to interest rates on debt resetting to the market rate every three months, the carrying amounts of secured loans approximates their fair value.

Note 22 - Employee entitlements

Accounting Policy

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where the Council has a contractual obligation, or where a past practice has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

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

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Key assumptions in measuring retirement and long service leave obligations

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. An average discount rate of 3.55% (2017: 3.37%) and a salary inflation factor of 3.10% (2017: 3.00%) were used.

Breakdown of employee entitlements and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|------------------------------------|---------------------------|---------------------------|
| Current portion | | |
| Accrued pay | 328 | 332 |
| Annual leave | 1,189 | 1,222 |
| Retirement and long service leave | 87 | 125 |
| Sick leave | 62 | 44 |
| Total current portion | 1,666 | 1,723 |
| Non-current portion | | |
| Retirement and long service leave | 218 | 190 |
| Total non-current portion | 218 | 190 |
| Total employee entitlements | 1,884 | 1,913 |

Note 23 - Provisions

Accounting Policy

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Breakdown of provisions and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|----------------------------------|---------------------------|---------------------------|
| Current portion | | |
| Landfill aftercare | 70 | 83 |
| Weathertightness claims | 154 | 294 |
| Reserve contribution credits | 0 | 0 |
| Other sundry provisions | 450 | 250 |
| Total current provisions | 673 | 626 |
| Non-current portion | | |
| Landfill aftercare | 897 | 691 |
| Weathertightness claims | 374 | 56 |
| Reserve contribution credits | 3,911 | 4,515 |
| Total non-current portion | 5,182 | 5,262 |
| Total provisions | 5,855 | 5,889 |

Movements of each class of provision are as follows:

Landfill aftercare costs

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--------------------------------------|---------------------------|---------------------------|
| Opening balance as at 1 July | 774 | 792 |
| Additional provisions made | 599 | 4 |
| Amounts used | (9) | (63) |
| Unused amounts reversed | 0 | 0 |
| Discount unwind | (398) | 40 |
| Closing balance as at 30 June | 967 | 774 |

Provision for weathertightness claims

| | 2018 Actual \$000's | 2017 Actual \$000's |
|-------------------------------|---------------------------|---------------------------|
| Opening balance as at 1 July | 350 | 1,026 |
| Additional provisions made | 250 | 0 |
| Amounts used | 0 | 0 |
| Unused amounts reversed | (73) | (676) |
| Closing balance as at 30 June | 527 | 350 |

Reserve contribution credits

| | 2018 Actual \$000's | 2017 Actual \$000's |
|-------------------------------|---------------------------|---------------------------|
| Opening balance as at 1 July | 4,515 | 5,142 |
| Additional provisions made | 0 | 0 |
| Amounts used | (604) | (627) |
| Unused amounts reversed | 0 | 0 |
| Closing balance as at 30 June | 3,911 | 4,515 |

Other sundry provisions

| | 2018 Actual \$000's | 2017 Actual \$000's |
|-------------------------------|---------------------------|---------------------------|
| Opening balance as at 1 July | 250 | 250 |
| Additional provisions made | 200 | 0 |
| Amounts used | 0 | 0 |
| Unused amounts reversed | 0 | 0 |
| Closing balance as at 30 June | 450 | 250 |

Landfill aftercare costs

The Council has a legal obligation to provide on-going maintenance and monitoring services at its five closed landfill sites. A provision for post-closure costs is recognised as a liability in the statement of financial position. The provision is measured based on the present value of future cash outflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all known costs associated with landfill post-closure. All landfills within the Thames-Coromandel district are now closed and no longer accept waste for disposal.

Closed landfill sites have been assessed in terms of the likely discharge and land-use risks and are managed accordingly. Consents to manage the environmental effects of certain closed landfills are held with the Waikato Regional Council (WRC) and compliance with these consents is Council's responsibility.

Sites are regularly monitored as per the consent requirements. This includes water monitoring and visual inspections. Expenditure on rehabilitation works may be required to minimise potential impacts on the environment or human health. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. Any such work will be funded by an internal loan, which is serviced by the general rate.

The provision has been estimated taking into account existing technology and known changes to legal requirements. The gross provision before discounting is \$1.8 million (2017: \$1.32 million). The following major assumptions have been made in calculating the provision:

- The discount rate used to arrive at the present value is 4.76% (2017: 5.76%).
- The aftercare has been estimated to continue until 2051. The annual inflation factor applied to the estimated aftercare costs for 2018/2019 to 2027/2028 is the September 2017 Local Government price level change forecast. An annual inflation rate of 2.83% has been applied to years 2028/2029 to 2050/2051 (2017: an annual inflation rate of 3.23% was applied to years 2025/2026 to 2043/2044).
- Estimates of the life and future expenditure are based on the 2018-2028 Long Term Plan.

Provision for weathertightness claims

As a result of legal precedent that Councils are liable for a share of leaky homes repair costs, a provision for estimated settlement costs has been recognised as a liability in the statement of financial position. The provision is measured based on the present value of future cash outflows expected to be incurred, taking into account future events. The provision includes all expected settlement costs. When there is a high level of uncertainty, a contingent liability is recognised.

This provision is based on the Council's most likely exposure to notified claims. As at 30 June 2018, Council was aware of eight unsettled notified claims (2017:8).

See Note 25 contingent liabilities for further disclosure and comment.

Reserve contribution credits

A provision has been established in the statement of financial position for the estimated liability associated with historic reserve contribution credits, as a result of subdivision's vesting of reserves prior to the introduction of the Development Contribution Policy in October 2004. In addition to this, a provision has been established for reserve contribution credits associated with the development of the Whitianga multi-sports complex centre.

Council has negotiated with a developer to purchase 10 hectares of land situated in Whitianga for the development of a Multi-Sports Complex Centre. As part of this purchase agreement, Council entered into a development contributions deed with the developer, which outlined when development and reserve contributions credits would be considered payable to the Council. It also outlined the staged arrangement in which the Council would purchase the land from the developer.

The agreement stated that Council would purchase the three individual parcels of land (totalling \$6.5 million) on the following dates:

- Lot 1 DP 440527 on 30 April 2011
- Lot 2 DP 440527 on 30 September 2011; and
- Lot 3 DP 440527 on 30 September 2012.

The agreement also stated that the developer would be invoiced for:

- 314 development/reserve contribution credits on 30 April 2011
- 155 development contribution credits on 30 September 2011; and
- A further 155 development contributions on 30 September 2012.

As at 30 June 2018, all parcels of land had been purchased from the developer and all corresponding development and reserve contributions had been invoiced. However, as at 30 June 2018 only \$2,632,746 of the reserve contribution credits have been applied and therefore recognised within Council's accounts as revenue. As such, a provision of \$3,867,254 was recognised within Council's balance sheet reflecting that at balance date these contribution credits were effectively revenue received in advance by Council. As further development contributions credits fall due, the provision will be used to offset any further liability established by the developer.

In addition to the above, a further provision of \$44,058 has been recognised for historic reserve contribution credits as a result of subdivision's vesting of reserves prior to the introduction of the development contribution policy in October 2004. Applications to recognise these historic reserve credits under the Local Government Act 2002 (LGA) are being addressed by Council on a case-by-case basis.

In the past, a reserve contribution credit has been provided to a number of developers for additional reserves land vested in the Council that was over and above the requirement under the Resource Management Act 1991. The reserve contribution requirement under the transitional provisions of the Resource Management Act 1991 was 130m2. The credit was then available for developers to apply against reserve contributions required on any subsequent subdivisions. In order to ascertain the development contributions payable, the Local Government Act 2002 and our Development Contributions Policy, require Council to calculate the average market value of each 15m2 additional allotment. Usually this is done by way of an external valuation. For this reason, the conversion of these historic reserve credits issued under the Resource Management Act 1991 are difficult to measure and quantify under the Local Government Act 2002.

The provision recognises that these credits will result in an outflow of resources embodying economic benefits to Council. However, estimating the value of these credits is uncertain because it relies on factors such as the future development potential of any residual land, future land values, the value of the land when vested, the zoning of the land and any other district plan mechanism (such as structure plans) and the reasons for the land being vested at the time.

See Note 25 contingent Liabilities for further disclosure and comment.

Other sundry provisions

As at 30 June 2018, Council anticipates that the following payments will be made:

- A one off payment of \$100,000 will be made to the affected parties of the 1877 Native Lands Agreement as part of a final settlement agreement negotiated by Waikato Regional Council, affected ratepayers and Council.
- A one off disturbance payment of \$100,000 and a one off instalment payment of \$50,000 for a kiosk/reception facility as per an agreement reached for the use of the land at Mercury Bay for a carpark facility.
- A one off payment of \$200,000 to settle a claim (in full) against Council in relation to alleged negligence regarding duty of care throughout the building consent process on one particular property in the district.

See Note 25 contingent liabilities for further disclosure and comment on bullets point one and two.

Note 24 - Construction contracts

Accounting Policy

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

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

An expected loss on construction contracts is recognised immediately as an expense in the surplus or deficit.

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

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

During the financial year ended 30 June 2018, Council did not enter into any deemed construction contracts for the purposes of PBE IPSAS 11.

Note 25 - Contingencies

Breakdown of contingent liabilities and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|-------------------------------------|---------------------------|---------------------------|
| Miscellaneous non-insured claims | 0 | 0 |
| Community pledges | 110 | 256 |
| Weather tightness claims | 1,951 | 4,585 |
| Council guarantees | 1,112 | 1,143 |
| Total contingent liabilities | 3,173 | 5,984 |

Weather-tightness claims

The weather tightness problem, commonly known as "leaky homes/buildings" refers to those buildings where water has penetrated the building envelope or cladding system and is not able to drain or dry for some time, thus damaging the building.

The term "leaky homes claims" refers to claims against the Council for damages relating to a leaky building. Where the Council has failed to discharge its duty of care when providing building control services and loss has been suffered as a result, the Council may be found negligent. This is the basis for claims for damages against the Council.

The term "leaky homes claims" has also been extended to include cases where owners have opted for the Government's financial assistance package scheme. The Government has established a financial assistance package (FAP) for owners of leaky homes to get their homes fixed outside of the weather tightness tribunal or courts processes. Under the FAP, central government meets 25% of eligible homeowners' agreed repair costs, with local authorities contributing 25% and homeowners funding the remaining 50%, with a loan guarantee underwritten by the Crown, provided applicants can meet bank lending criteria.

Homeowners who participate in the scheme would forgo the right to sue the Council or the Crown. Ultimately, it is the choice of homeowners to sue or otherwise participate in the financial assistance package. Where claimants elect to sue, the Council must accordingly defend whilst maintaining a preference, where possible, to settle claims without the need for a hearing and a protracted litigation suit.

Settlement amounts for leaky homes claims are not covered by insurance.

There are 10 current claims; 8 of these are part of the FAP scheme. Only 8 claims were registered on the Ministry of Business, Innovation and Employment website as active as at 30 June 2018 (2017: 8 claims). The amounts sought by the claimants of these unsettled claims total to \$1,383,291, in addition there are two unknown amounts (2017: \$4,893,410, in addition there were two unknown amounts).

A provision for \$527,339 has been recognised for accounting purposes for the potential settlement of claims that have been notified to Council at balance date (for further information see Note 23 Provisions) (2017: \$350,162). However, based on the information obtained during this financial year (and that of previous years), the Council has estimated that it may be liable for a further \$1,951,395 in settlement costs (2017: \$4,584,558).

Other Building Act claims

In 2003, the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the shadowclad plywood cladding sheets manufactured and distributed by CHH. The MoE's claim against CHH is for 833 school buildings, 27 of which are located with the Thames-Coromandel District Council region. In 2016, CHH commenced proceedings against 48 Councils, including Thames-Coromandel District Council, alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code of Compliance Certificates.

During the current year the Councils sought to strike out CHH's claims against them. The High Court declined the strike out of the claim, but struck out proceedings in relation to 28 school buildings (4 in Thames-Coromandel District Council region) built outside the 10 year long stop contained within the Building Act 2004. Further, CHH applied for trial staging, with proceedings to commence in relation to 20 buildings. MoE opposed the application, seeking a trial on the determination of whether shadowclad is inherently defective. The High Court accepted the MoE proposal. CHH have appealed this decision.

At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

Council guarantees

The Council is listed as a guarantor to two organisations. The Council is obligated under the guarantee to make loan payments in the event that any of these organisations default on a loan arrangement.

The terms and conditions of the guarantee require:

- The organisations to provide the Council with a copy of their annual report to enable the financial stability to be assessed on an annual basis, and
- An indemnity to the Council that transfer's ownership of the assets to the Council in the event of the guarantee being called up.

The Council's exposure to any risk is therefore mitigated and considered minimal.

Council guarantees have not been recognised as liabilities in the statement of financial position as the Council consider there is very little probability that any expenditure will be incurred to settle them.

Native lands agreement

In 1877 the Thames Borough Council entered an agreement with local iwi for the purchase of land required for the Paeroa-Thames highway. As part of the agreement the Council agreed that any land owned by iwi would be exempt from rates indefinitely. The Maori Land Court subsequently ruled that the agreement was ultra vires Council's statutory powers. The Council has assessed rates on properties affected by the agreement for a number of years.

In 1999, the Council reviewed the background to this issue and agreed to enter into discussions with iwi to explore ways of settling the grievance issues that they have with the Council in relation to this matter. These discussions are now nearing a conclusion and a settlement agreement has now been drafted but not yet finalised.

As at 30 June, Council anticipates that an exemption from all rates in respect of parcels of land owned by the affected parties may be applied in perpetuity. In addition to this Council also anticipates the transfer of a local Thames reserve.

However, as the amount of the rates exemption can not be measured with sufficient reliability, and a local bill will be required to be passed in order for the land transfer to be gifted and its associated reserve status revoked, both obligations have been noted as a contingent liability accordingly.

Lees Road carpark

Due to the significant popularity of Cathedral Cove as a national and international tourism destination, the community of Hahei has long suffered from major vehicle congestion. The Coromandel Walks programme has been designed to alleviate existing and future vehicle congestion issues in the surrounding Hahei area with the construction of a revenue generating car park at Lees Road (thereby removing vehicles parking in the village itself).

After a number of significant investigations, a parcel of land was identified as the best location for a new car park due to the location, access and close proximity to the Cathedral Cove walkway. After two years of negotiations with the owners of the block of land, Council reached an agreement with the owners in May 2016. Part of this agreement requires council to pay the following:

- A disturbance payment of \$100,000; and
- A one-off payment of \$50,000 for the construction of a kiosk/reception facility on site.

Both these items have been recognised as a provision (see Note 23 provisions). In addition to these two one-off payments, Council will also be liable for an annual easement fee based on the number of cars parked at the site per annum. However, as Council can not reliably estimate the amount of the obligation this amount has been recognised as a contingent liability accordingly.

Jack McLean Community Recreation Centre

The Jack McLean Community Recreation Centre (the centre) project is a partnership with the Ministry of Education and the Thames High School with the facility located on the school grounds.

The new building is a two court facility and includes a foyer, administration, changing rooms, multi-purpose room, spectator seating and storage spaces. External works included roading, car parking, site services, paving and landscaping. The centre was officially opened in February 2018.

The total project budget was \$5.7 million (including roof repairs detailed below). This budget included an estimated \$1.5 million in external funding made up of contributions from the school (\$440,000) community fundraising (\$332,000 of which \$122,484 has been received) and public grants (\$725,000). As at 30 June 2018, \$5.7 million has been spent.

Prior to opening the facility, it was found that the building itself had suffered from moisture damage. Specifically, the design of the building made insufficient provision for ventilation. As a result, condensation built-up on the underside of the roof structure, made its way through the building paper and insulation in the roof cavity, and dripped onto the playing surface. The moisture damaged approximately 200 ceiling tiles and the roof itself required a redesign in order to rectify the problem. The total roof remediation works cost approximately \$620,000. Council is currently persuing the matter via the professional services contract with the designer.

The contractor is also claiming an additional \$177,000 for works relating to an extension of time and additional physical works.

Until both matters are settled, Council is unable to measure the liability with sufficient reliability. Therefore, both claims have been noted as contingent liabilities.

Active Thames 2018 - Community pledges

As part of the risk mitigation strategy regarding non-receipt of community pledges a report was presented to the Thames Community Board (29 February 2016) and Council (6 April 2016) to acknowledge the risks related to Community pledges and Council accepted the underwriting risk associated with recovering pledges after construction costs had been paid. As at 30 June 2018, \$110,000 of community pledges remained outstanding (2017: \$256,000).

New Zealand Local Government Funding Agency

Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

The Council is one of 30 local authority shareholders and 45 local authority guarantors of the LGFA. In that regard it has uncalled capital of \$0.1 million. When aggregated with the uncalled capital of other shareholders, \$20.0 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all of LGFA's borrowings. At 30 June 2018, LGFA had borrowings totalling \$8.1 billion (2017: \$7.9 billion).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Reserve contribution credits

Reserve contribution credits result from historical vesting of reserve land which was over and above the required reserve area for the particular subdivision. Applications to recognise any potential historic reserve credits will be assessed on a case-by-case basis when and if a further Resource Consent is granted for the property to which the credits relate. However estimating the value of these credits is uncertain because it relies on factors such as the future development potential of any residual land, future land values, the value of the land when vested, the zoning of the land and any other District Plan mechanism such as structure plans and the reasons for the land being vested at the time.

Council has recognised that there are two developers that have reserve contribution credits available to them as at 30 June 2018 should they proceed with any further development at a later date. However, at the time of writing this report, there were no current land-use consents utilising these reserve contribution credits.

Employer contributions to defined contribution plans

Council is a participating employer in the DBP Contributors Scheme (the scheme), which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the scheme, the Council could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the Council could be responsible for an increased share of any deficit.

As at 31 March 2018, the scheme had a past service surplus of \$6.6 million (exclusive of Employer Superannuation Contribution Tax (2017: \$8.0 million)). This surplus was calculated using a discount rate equal to the expected return on net assets, but otherwise the assumptions and methodology were consistent with requirements of PBE IPSAS 25. The actuary of the scheme recommended that the employer's contributions remain suspended.

Note 26 - Equity

Accounting Policy

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

Accumulated funds

The accumulated surpluses do not represent cash available to offset future rate increases, but rather it represents the community's investment in publicly owned assets resulting from past surpluses.

Restricted reserves

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

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

Property revaluation reserves

This reserve relates to the revaluation of property, plant and equipment to fair value.

Council created reserves

Council created reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council. The Council created reserves consist of specifically named reserves into which funds are put for specific purposes, as well as reserves for unspent revenue from one year that the Council deems appropriate to be expended in the following year, usually to finish incomplete, but previously budgeted work. The Council created reserves also include reserves for depreciation that have been funded but not yet utilised.

Breakdown of equity and further information

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Accumulated funds | | |
| Balance at 1 July | 388,686 | 377,046 |
| Net movement in restricted reserves | 0 | (383) |
| Net movement in Council created reserves | (1,472) | 2,047 |
| Transfers from property revaluation reserves on disposal | 1,593 | 696 |
| Surplus/(deficit) for the year | 4,357 | 9,281 |
| Balance at 30 June | 393,164 | 388,686 |
| Restricted reserves | | |
| Balance at 1 July | 33,740 | 33,357 |
| Transfers to accumulated funds | 0 | 682 |
| Transfers from accumulated funds | 0 | (299) |
| Balance at 30 June | 33,740 | 33,740 |
| Council created reserves | | |
| Balance at 1 July | 57,614 | 59,661 |
| Transfers to accumulated funds | 24,442 | 23,883 |
| Transfers from accumulated funds | (22,970) | (25,930) |
| Balance at 30 June | 59,086 | 57,614 |
| Property revaluation reserves | | |
| Balance at 1 July | 906,244 | 809,427 |
| Net revaluation gains | 44,794 | 97,513 |
| Transfer to accumulated funds on disposal of property | (1,593) | (696) |

| | | |
|---|------------------|------------------|
| Balance at 30 June | 949,444 | 906,244 |
| Fair value through other comprehensive revenue and expense reserve | | |
| Balance at 1 July | 10 | 8 |
| Net revaluation gains/(losses) | 15 | 2 |
| Balance at 30 June | 25 | 10 |
| Total equity | 1,435,460 | 1,386,293 |

Restricted reserves

Purpose of restricted reserves and the activity it relates to

Restricted reserves are reserves that are subject to specific conditions of use and whether under statute or accepted as binding by Council, may not be revised without reference to the Courts or third parties. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met. Restricted reserves relate to the representation activity.

| | Opening \$000's | Transfers in \$000's | Transfers out \$000's | Closing \$000's |
|--|--------------------|-------------------------|--------------------------|--------------------|
| 2018 | | | | |
| Reserve land | | | | |
| Restricted by title | 31,317 | 0 | 0 | 31,317 |
| Endowment farms | | | | |
| Endowment farms trust property - restricted imposed by statute | 2,423 | 0 | 0 | 2,423 |
| Total restricted reserves | 33,740 | 0 | 0 | 33,740 |
| 2017 | | | | |
| Reserve land | | | | |
| Restricted by title | 31,616 | 0 | (299) | 31,317 |
| Endowment farms | | | | |
| Endowment farms trust property - restricted imposed by statute | 1,741 | 682 | 0 | 2,423 |
| Total restricted reserves | 33,357 | 682 | (299) | 33,740 |

Council created reserves

Purpose of council created reserves and the activity it relates to

Council created reserves are reserves created at the discretion of the Council.

The accumulated surpluses do not represent cash available to offset future rate increases, rather they represent the community's investment in publicly owned assets resulting from past surpluses.

Council created reserves consist of:

- Depreciation reserves;
- Local Government Act contribution reserves;
- Retained revenue reserves
- Special reserves

Depreciation reserves

| | Opening \$000's | Transfers in \$000's | Transfers out \$000's | Closing \$000's |
|------------------------------------|--------------------|-------------------------|--------------------------|--------------------|
| 2018 | | | | |
| District | 8,541 | 13,593 | (12,674) | 9,460 |
| Thames | 732 | 942 | (867) | 807 |
| Coromandel | 276 | 217 | (393) | 101 |
| Mercury Bay | 0 | 1,208 | (1,208) | 0 |
| Tairua/Pauanui | 0 | 501 | (501) | 0 |
| Whangamata | 0 | 448 | (175) | 273 |
| Total depreciation reserves | 9,549 | 16,908 | (15,817) | 10,641 |
| 2017 | | | | |
| District | 8,604 | 13,652 | (13,716) | 8,541 |
| Thames | 1,919 | 824 | (2,011) | 732 |
| Coromandel | 189 | 233 | (146) | 276 |
| Mercury Bay | 0 | 1,017 | (1,017) | 0 |
| Tairua/Pauanui | 620 | 513 | (1,132) | 0 |
| Whangamata | 0 | 452 | (452) | 0 |
| Total depreciation reserves | 11,332 | 16,691 | (18,473) | 9,549 |

Depreciation reserves contain funds equivalent to funded depreciation to be used to fund capital renewals work. Depreciation reserves relate to the representation, solid waste, wastewater, water, stormwater, public conveniences, district transportation, building control, cemeteries and all other activities not separately rated.

Local Government Act contribution reserves

| | Opening \$000's | Transfers in \$000's | Transfers out \$000's | Closing \$000's |
|--|--------------------|-------------------------|--------------------------|--------------------|
| 2018 | | | | |
| District | 158 | 1,694 | (1,552) | 299 |
| Thames | 249 | 32 | (30) | 250 |
| Coromandel | 106 | 12 | (1) | 117 |
| Mercury Bay | 992 | 1,221 | (598) | 1,615 |
| Tairua/Pauanui | 23 | 168 | (56) | 135 |
| Whangamata | 702 | 27 | (26) | 702 |
| Total special LGA contribution reserves | 2,230 | 3,154 | (2,265) | 3,119 |
| 2017 | | | | |
| District | (73) | 1,068 | (838) | 158 |
| Thames | 243 | 26 | (20) | 249 |
| Coromandel | 21 | 123 | (37) | 106 |
| Mercury Bay | 444 | 839 | (290) | 992 |
| Tairua/Pauanui | (4) | 35 | (8) | 23 |
| Whangamata | 1,030 | 75 | (403) | 702 |
| Total special LGA contribution reserves | 1,661 | 2,165 | (1,595) | 2,230 |

These reserves contain funds collected and distributed under the Council's Development Contributions Policy. These funds may only be applied to the funding of additional capacity capital expenditure for activities for which they were levied. Local Government Act contribution reserves relate to representation, solid waste, wastewater, water, stormwater, public conveniences, district transportation, cemeteries, parks and reserves, libraries, local transportation, halls, airfields and swimming pools activities.

Retained revenue reserves

| | Opening \$000's | Transfers in \$000's | Transfers out \$000's | Closing \$000's |
|--|--------------------|-------------------------|--------------------------|--------------------|
| 2018 | | | | |
| District | 8,049 | 879 | (2,372) | 6,555 |
| Thames | 475 | (40) | 62 | 497 |
| Coromandel | 178 | 4 | (175) | 8 |
| Mercury Bay | 2,277 | 330 | (257) | 2,350 |
| Tairua/Pauanui | 798 | 82 | (159) | 721 |
| Whangamata | 593 | 43 | (10) | 626 |
| Total retained revenue reserves | 12,369 | 1,298 | (2,910) | 10,757 |
| 2017 | | | | |
| District | 7,667 | 1,432 | (1,050) | 8,049 |
| Thames | 366 | 137 | (29) | 475 |
| Coromandel | 135 | 78 | (35) | 178 |
| Mercury Bay | 1,937 | 631 | (291) | 2,277 |
| Tairua/Pauanui | 725 | 202 | (129) | 798 |
| Whangamata | 565 | 186 | (159) | 593 |
| Total retained revenue reserves | 11,395 | 2,666 | (1,692) | 12,369 |

These reserves contain unspent revenue from a previous year that was raised through rates or fees and charges to fund the Council activities. Under our fiduciary duty, we have an obligation to account for the funds collected and spent for each of these activities. At the end of the year, we reconcile what we received against what we spent. The shortfall or surplus either comes out of or goes into the retained earnings for the relevant activity. Retained revenue reserves relate to representation, solid waste, wastewater, water, stormwater, harbour and all Council activities not separately rated.

Special reserves

| | Opening \$000's | Transfers in \$000's | Transfers out \$000's | Closing \$000's |
|---|--------------------|-------------------------|--------------------------|--------------------|
| 2018 | | | | |
| Power New Zealand reserve | 23,928 | 0 | 0 | 23,928 |
| Disaster reserve | 522 | 2,000 | (1,021) | 1,500 |
| General purpose | 206 | 0 | 0 | 206 |
| Property | 1,466 | 540 | 0 | 2,006 |
| Insurance excess | 2,668 | 90 | (315) | 2,444 |
| Special projects | 0 | 0 | 0 | 0 |
| Wastewater headworks | 60 | 0 | 0 | 60 |
| Solid waste levy refunds | 250 | 112 | (81) | 281 |
| Rates postponement | 14 | 0 | 0 | 14 |
| Roading subdivision | 55 | 0 | 0 | 55 |
| Ohuka park development contributions payment plan | 0 | 0 | 0 | 0 |
| Thames water headworks | 9 | 0 | 0 | 9 |
| Coromandel - water headworks | 203 | 0 | 0 | 203 |
| Coromandel - water unused loan | 9 | 0 | 0 | 9 |
| Whangamata - water headworks | 307 | 0 | 0 | 307 |
| Thames general purpose | 500 | 13 | (276) | 237 |
| Land subdivision | 3,049 | 0 | (16) | 3,033 |
| Off street parking | 103 | 0 | 0 | 103 |
| Hot Water Beach parking | 0 | 193 | (137) | 57 |
| Hahei parking fees | 0 | 134 | (134) | 0 |
| Whitianga Harbours | 117 | 0 | 0 | 117 |
| Total - special reserves | 33,466 | 3,082 | (1,978) | 34,569 |
| 2017 | | | | |
| Power New Zealand reserve | 23,928 | 0 | 0 | 23,928 |
| Disaster reserve | 1,528 | 700 | (1,706) | 522 |
| General purpose | 206 | 0 | 0 | 206 |
| Property | 1,466 | 0 | 0 | 1,466 |
| Insurance excess | 1,716 | 961 | (9) | 2,668 |
| Special projects | 0 | 0 | 0 | 0 |
| Wastewater headworks | 29 | 31 | 0 | 60 |
| Solid waste levy refunds | 210 | 105 | (66) | 250 |
| Rates postponement | 14 | 0 | 0 | 14 |
| Roading subdivision | 13 | 42 | 0 | 55 |
| Ohuka park development contributions payment plan | 0 | 24 | (24) | 0 |
| Thames water headworks | 9 | 0 | 0 | 9 |
| Coromandel - water headworks | 203 | 0 | 0 | 203 |
| Coromandel - water unused loan | 9 | 0 | 0 | 9 |
| Whangamata - water headworks | 307 | 0 | 0 | 307 |
| Thames general purpose | 2,325 | 320 | (2,145) | 500 |
| Land subdivision | 3,049 | 0 | 0 | 3,049 |
| Off street parking | 111 | 0 | (8) | 103 |
| Hot Water Beach parking | 66 | 145 | (211) | 0 |
| Whitianga Harbours | 84 | 33 | 0 | 117 |
| Total - special reserves | 35,273 | 2,362 | (4,169) | 33,465 |

Special reserves are council created reserves set aside for a special purpose as follows:

- *Power New Zealand reserve* - funded by proceeds from the sale of Power NZ shares to fund internal borrowing. The corresponding interest earned subsidises the UAGC rate requirement. The Power New Zealand reserve relates to the representation activity.
- *Disaster reserve fund* - funds repairs to infrastructure caused by natural disasters. The disaster reserve fund relates to all infrastructure activities.
- *General purpose* - funds any one off, unbudgeted, Community Board projects as approved by the Council. The general purpose reserve relates to all community spaces activities.
- *Property* - funds the acquisition cost of any future strategic purchases of the same type of assets, when and where required, funded by amounts realised from the sale of surplus land and buildings.
- *Insurance excess* - funds the insurance excess of any legal settlements within building control, community health & safety, land use management and land information memoranda activities.
- *Special projects* - funds special 'one-off' community board projects as approved by the Council. The special projects reserve relates to all community spaces activities.

- *Wastewater headworks* - funds the increased level of service component of various wastewater projects within the wastewater activity, funded by contributions collected under the Resource Management Act.
- *Solid waste levy reserve* - funds any waste minimisation initiative in the solid waste activity.
- *Rates postponement* - funds any shortfall between the amount realised on the sale of a property and any amounts outstanding for postponed rates (and accrued charges) at the time of sale. The rates postponement reserve relates to the representation activity.
- *Roading subdivision* - helps fund various roading projects and other initiatives within the roading activity, funded by contributions collected under the Resource Management Act.
- *Thames* - general purpose - funds non-infrastructure asset purchases within the Thames-urban area activities.
- *Land subdivision* - funds the acquisition, or development of parks and reserves within the relevant catchment areas, funded by reserve contributions collected under the Resource Management Act. Land subdivision reserves relate to the parks and reserves activities.
- *Water headworks* - fund the increased level of service component of projects within the water activity within the relevant catchment areas, funded by reserve contributions collected under the Resource Management Act.
- *Off-street parking* - funds the acquisition, or development of, parking areas within the relevant catchment areas, funded by reserve contributions collected under the Resource Management Act. The off-street parking reserve relates to the local roading and parks and reserves activities.
- *Water unused loan* - balance of loan raised to fund water extension, relates to the water activity.

Total council created reserves

| | Opening \$000's | Transfers in \$000's | Transfers out \$000's | Closing \$000's |
|------------------------------------|--------------------|-------------------------|--------------------------|--------------------|
| For the period ending 30 June 2018 | 57,614 | 24,442 | (22,970) | 59,086 |
| For the period ending 30 June 2017 | 59,661 | 23,883 | (25,930) | 57,614 |

Property revaluation reserves

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Property revaluation reserves for each asset class consist of | | |
| Buildings | 19,449 | 16,914 |
| Footpaths | 5,966 | 6,197 |
| Harbour facilities | 2,282 | 2,380 |
| Land | 287,532 | 288,039 |
| Reserve improvements | 10,496 | 6,859 |
| Bridges | 6,836 | 7,138 |
| Roads | 424,635 | 392,703 |
| Solid waste | 2,149 | 2,205 |
| Stormwater | 65,403 | 66,142 |
| Wastewater | 54,356 | 51,760 |
| Water | 70,341 | 65,907 |
| Closing property revaluation reserves | 949,445 | 906,244 |

Additional disclosure

Capital management

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

The LGA requires Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

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

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

The Council has the following Council-created reserves:

- reserves for different areas of benefit;
- disaster relief reserves; and
- trust and bequest reserves.

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

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

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

Note 27 - Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council (such as funding and financing flows for TVEOA), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such transactions.

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Key management personnel compensation | | |
| Councillors | | |
| Remuneration | 436 | 426 |
| Full-time equivalent members | 9 | 9 |
| Senior Management Team, including the Chief Executive | | |
| Remuneration | 2,064 | 2,082 |
| Full-time equivalent members | 8 | 10 |
| Total key management personnel remuneration | 2,500 | 2,508 |
| Total full-time equivalent personnel | 17 | 19 |

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

Related party transactions required to be disclosed

There are no other related party transactions that are required to be disclosed in accordance with PBE IPSAS 20 Related Party Disclosures. However, the Council has elected to recognise its relationship with both the Hauraki Rail Trail Charitable Trust and Destination Coromandel as related parties.

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Payments to associates | | |
| Destination Coromandel: | | |
| Contribution for services provided by Destination Coromandel | 602 | 572 |
| Hauraki Rail Trail Charitable Trust: | | |
| Contribution for services provided by Hauraki Rail Trail Charitable Trust | 179 | 30 |
| Total payments made to associates | 781 | 602 |

Note 28 - Events after balance date

At balance date \$5,476,544 was capitalised to recognise the Jack McLean Community Recreation Centre leasehold improvement that has been available for use since the opening on 16 February 2018. At balance date the lease was still being finalised. The lease was signed as at 23 August 2018.

Note 29 - Financial instruments

Financial instrument categories

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

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Financial assets | | |
| Loans and receivables | | |
| Cash and cash equivalents | 199 | 95 |
| Receivables | 8,041 | 8,717 |
| <i>Other financial assets</i> | | |
| Borrower notes from Local Government Funding Agency | 720 | 560 |
| Term deposits | 9,570 | 99 |
| Total loans and receivables | 18,530 | 9,911 |
| Fair value through other comprehensive revenue and expense | | |
| <i>Other financial assets</i> | | |
| Unlisted shares | 272 | 272 |
| Total fair value through other comprehensive revenue and expense | 272 | 272 |

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Financial liabilities | | |
| Fair value through surplus or deficit - held for trading | | |
| Derivative financial instrument liabilities | 4,585 | 4,568 |
| Total fair value through surplus or deficit - held for trading | 4,585 | 4,568 |
| Financial liabilities at amortised cost | | |
| Payables | 12,957 | 15,912 |
| <i>Borrowings</i> | | |
| Finance lease liabilities | 0 | 0 |
| Secured loans | 45,600 | 35,200 |
| Total financial liabilities at amortised cost | 58,557 | 51,112 |

Fair value hierarchy disclosures

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

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

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

| | Total \$000's | Valuation technique | | |
|------------------------------|------------------|-----------------------------------|---------------------------------|-------------------------------------|
| | | Quoted market price \$000's | Observable inputs \$000's | Non-observable inputs \$000's |
| 2018 | | | | |
| Financial assets | | | | |
| Shares | 272 | 0 | 0 | 272 |
| Financial liabilities | | | | |
| Derivatives | 4,585 | 0 | 4,585 | 0 |
| 2017 | | | | |
| Financial assets | | | | |
| Shares | 272 | 0 | 0 | 272 |
| Financial liabilities | | | | |
| Derivatives | 4,568 | 0 | 4,568 | 0 |

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

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

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

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Balance at 1 July | 272 | 270 |
| Gains and losses recognised in the surplus or deficit | 0 | 0 |
| Gains and losses recognised in other comprehensive revenue and expense | 15 | 2 |
| Purchases | 0 | 0 |
| Sales | 0 | 0 |
| Transfers into level 3 | 0 | 0 |
| Transfers out of level 3 | 0 | 0 |
| Balance at 30 June | 287 | 272 |

Changing a valuation assumption to a reasonable possible alternative assumption would not significantly change fair value.

Financial instrument risks

The Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Council has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from its treasury activities. The Council has established Council-approved liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Council is not exposed to equity securities price risk on its investments.

Currency risk

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

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

It is the Council's policy to manage foreign currency risks arising from contractual commitments and liabilities that are above \$100,000 by entering into forward foreign exchange contracts to manage the foreign currency risk exposure. This means the Council is able to fix the New Zealand dollar amount payable prior to delivery of the plant and equipment from overseas.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose the Council to fair value interest rate risk. The Council's liability management policy outlines the level of borrowing that is considered acceptable using fixed rate instruments. In the normal course of business, any long-term debt is at floating interest rates. Short-term borrowing and investments are subject to normal market fluctuations.

Cash flow interest rate risk

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

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

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Council causing it to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits which give rise to credit risk. The Council also provides financial guarantees, which gives risk to credit risk.

The Council's investment policy limits the amount of credit exposure to any one financial institution or organisation. The Council reduces its exposure to credit risk by only placing investments in accordance with its investment policy which ensures dispersion and minimisation of risk. The Council invests funds only with entities that have a Standard and Poor's credit rating of at least A1 for short-term and A+ for long-term investments. The Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

The Council's maximum credit risk exposure for each class of financial instrument is as follows:

| | 2018 Actual \$000's | 2017 Actual \$000's |
|--|---------------------------|---------------------------|
| Cash at bank and term deposits | 9,769 | 194 |
| Receivables | 8,041 | 8,717 |
| Financial guarantees | 1,112 | 1,188 |
| Total maximum exposure to credit risk | 18,922 | 10,099 |

The Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in Note 25 Contingencies.

Credit quality of financial assets

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

| | 2018 Actual \$000's | 2017 Actual \$000's |
|---|---------------------------|---------------------------|
| Cash at bank and term deposits | | |
| AA- | 9,769 | 194 |
| Total cash at bank and term deposits | 9,769 | 194 |

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

Liquidity risk

Management of liquidity risk

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

In meeting its liquidity requirements, the Council maintains a target level of investments that must mature within the next 12 months. The Council manages its borrowings in accordance with its funding and financial policies, which includes a liability management policy.

Contractual maturity analysis of financial liabilities, excluding derivatives

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

| | Carrying amount \$000's | Contractual cashflows \$000's | Less than 1 year \$000's | 1-5 years \$000's | More than 5 years \$000's |
|------------------------------------|-------------------------------|-------------------------------------|--------------------------------|----------------------|---------------------------------|
| 2018 | | | | | |
| Payables | 12,955 | 12,955 | 12,955 | 0 | 0 |
| Secured loans | 44,941 | 44,941 | 16,361 | 28,579 | 0 |
| Finance leases | 0 | 0 | 0 | 0 | 0 |
| Financial guarantees | 1,112 | 1,112 | 1,112 | 0 | 0 |
| Total financial liabilities | 59,008 | 59,008 | 30,428 | 28,579 | 0 |
| 2017 | | | | | |
| Payables | 14,806 | 14,806 | 14,806 | 0 | 0 |
| Secured loans | 41,767 | 41,767 | 12,834 | 28,933 | 0 |
| Finance leases | 0 | 0 | 0 | 0 | 0 |
| Financial guarantees | 1,188 | 1,188 | 1,188 | 0 | 0 |
| Total financial liabilities | 57,761 | 57,761 | 28,828 | 28,933 | 0 |

The Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in Note 25 Contingencies.

Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses the Council's derivative financial instrument liabilities that are settled on a net basis into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

| | Liability carrying amount \$000's | Asset carrying amount \$000's | Contractual cashflows \$000's | Less than 1 year \$000's | 1-5 years \$000's | More than 5 years \$000's |
|-------------------------------------|--|--|-------------------------------------|--------------------------------|----------------------|---------------------------------|
| 2018 | | | | | | |
| Nett settled derivative liabilities | 4,585 | 0 | 4,585 | 82 | 2,540 | 1,963 |
| Total derivatives | 4,585 | 0 | 4,585 | 82 | 2,540 | 1,963 |
| 2017 | | | | | | |
| Nett settled derivative liabilities | 4,568 | 0 | 4,568 | 1,303 | 2,647 | 618 |
| Total derivatives | 4,568 | 0 | 4,568 | 1,303 | 2,647 | 618 |

Contractual maturity analysis of financial assets

The table below analyses the Council's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, and include interest receipts.

| | Carrying amount \$000's | Contractual cashflows \$000's | Less than 1 year \$000's | 1-5 years \$000's | More than 5 years \$000's |
|-------------------------------|-------------------------------|-------------------------------------|--------------------------------|----------------------|---------------------------------|
| 2018 | | | | | |
| Cash and cash equivalents | 199 | 199 | 199 | 0 | 0 |
| Receivables | 8,041 | 8,041 | 8,041 | 0 | 0 |
| <i>Other financial assets</i> | | | | | |
| Term deposits | 99 | 99 | 99 | 0 | 0 |
| Total financial assets | 8,339 | 8,339 | 8,339 | 0 | 0 |
| 2017 | | | | | |
| Cash and cash equivalents | 95 | 95 | 95 | 0 | 0 |
| Receivables | 8,717 | 8,717 | 8,717 | 0 | 0 |
| <i>Other financial assets</i> | | | | | |
| Term deposits | 99 | 99 | 99 | 0 | 0 |
| Total financial assets | 8,911 | 8,911 | 8,911 | 0 | 0 |

Sensitivity analysis

The following table illustrates the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on the Council's financial instrument exposures at the balance date.

| | -100bps | | +100bps | |
|------------------------------|----------------|---------------------|----------------|---------------------|
| | Surplus | Other equity | Surplus | Other equity |
| | \$000's | \$000's | \$000's | \$000's |
| Interest rate risk | | | | |
| 2018 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | (1) | 0 | 1 | 0 |
| Term deposits | (1) | 0 | 1 | 0 |
| Financial liabilities | | | | |
| Derivatives | (2,202) | 0 | 2,037 | 0 |
| Total sensitivity | (2,204) | 0 | 2,039 | 0 |
| 2017 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | (1) | 0 | 1 | 0 |
| Term deposits | (1) | 0 | 1 | 0 |
| Financial liabilities | | | | |
| Derivatives | (1,933) | 0 | 1,805 | 0 |
| Total sensitivity | (1,935) | 0 | 1,807 | 0 |

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 100 bps is equivalent to a decrease in interest rates of 1%. The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps/+100bps (2017: -100bps/+100bps).

All Council's borrowings are hedged derivative financial instruments so the sensitivity analysis of derivatives apply.

Note 30 - Explanations of major variances against budget

Statement of comprehensive revenue and expense

Revenue

| | |
|---|---|
| Fees and charges | There was an increase in solid waste revenue mostly in bag charges and transfer station fees resulting in approximately \$1.1 million more revenue. |
| Development and financial contributions | There was an increase in property development resulting in an unanticipated increase in development contributions revenue of \$1 million. |
| Subsidies and grants | Subsidies and grants revenue was less than budgeted by \$1.4 million. A delay in the LED lighting change out programme due to the late arrival of light fittings affected the amount of NZTA subsidy received. The remaining NZTA subsidy will be received in the 2018/19 financial year when the programme is completed. The deferral of the Te Ara O Hei project also meant a deferral of the grant that was budgeted to be received from NZ Lotteries. |
| Other revenue | Other revenue was less than budgeted by \$1.8 million. The budget included an unrealised gain on derivative financial instruments, but the actual result was a unrealised loss. This loss was offset by an increase in vested assets. Budgeting for derivative financial instruments is problematic and difficult to predict. The budget was based on information from the previous long term plan which did not anticipate the replacement of matured derivatives. Any losses through other comprehensive revenue and expense are unrealised and do not result in a cash out flow. |

Expenses

| | |
|----------------|---|
| Other expenses | Other expenses were \$5.1 million higher than budgeted. There was a loss on disposal of property, plant and equipment of \$3.1 million including work in progress. The loss was mostly related to roading, water and wastewater infrastructure assets that were replaced before the end of their useful lives. The remaining variance is a result of an increase in operating expenditure as a result of the storm damage sustained during the storm events that hit the peninsula over the year. |
|----------------|---|

Other comprehensive revenue and expense

| | |
|--|---|
| Gain on property, plant and equipment revaluations | A gain on revaluation was budgeted but the actual asset revaluation movements were higher than budgeted by \$18.9 million. This is mainly attributable to the increase in roading land value across the district. |
|--|---|

Statement of financial position

Assets

| | |
|-------------------------------|--|
| Receivables | The closing receivables position is \$4.3 million higher than budgeted mainly as a result of a large GST receivable and rates paid in advance at year end. |
| Property, plant and equipment | Property, plant and equipment is \$50 million higher than budgeted. This is mainly attributable to the increase in land value across the district. |
| Other financial assets | Other financial assets include \$9.5 million of investments on term deposit which are not budgeted. |
| Intangible assets | Intangible assets were \$1.6 million less than budgeted because of a deferral of software projects while a review of information technology infrastructure was undertaken. |

Liabilities

| | |
|----------------------------------|---|
| Payables and deferred revenue | The closing payables position is \$4.9 million higher than budgeted mainly because of large infrastructure accruals to record expenditure that occurred prior to year end where invoices had not been received. |
| Derivative financial instruments | Due to the inherent difficulties in predicting valuation derivatives, Council does not budget for the movement in derivative financial instruments. |

| | |
|------------|--|
| Provisions | Provisions are \$1.0 million less than budgeted. This is mainly attributed to a reduction in the weather tightness provision. |
| Borrowings | Our total debt is \$2.1 million less than budgeted. Council forecast to externally borrow \$9.7 million to fund the capital expenditure programme. However, only \$2.4 million was required. |

Note 31 - Adjustments to the comparative year financial statements

The Council has adjusted its comparative year financial statements for the year ended 30 June 2017 due to a reclassification adjustment. The adjustment is shown in the table below:

| | Notes | Before adjustments \$000's | Reclassification adjustments \$000's | After adjustments \$000's |
|--------------------------------------|-------|----------------------------------|--|---------------------------------|
| Property, plant and equipment | | | | |
| Operational land | | | | |
| Reclassification | (a) | 0 | (327) | (327) |
| Reserves land | | | | |
| Reclassification | (a) | 0 | 327 | 327 |

Explanatory notes

Reclassification adjustments

a) Operational land was reclassified to reserve land due to the subdivision of 621 Beach Road Whangamata and disclosed as separate lines in the property, plant and equipment note.

Funding impact statements disclosure

Introduction

Schedule 10 of the Local Government Act 2002 requires council to include in the annual report a funding impact statement for each group of activities and a funding impact statement for the whole of council for the financial year to which the report relates. The format of these statements are prescribed by the legislation and do not have to meet the normal accounting requirements. The intention is that this format provides a more understandable picture of what Council is spending money on and how those costs are funded.

Funding impact statements

Whole of Council funding impact statement

For the year ended 30 June 2018

| | 2017 Annual plan \$000's | 2017 Annual report \$000's | 2018 Annual plan \$000's | 2018 Actual \$000's |
|---|-----------------------------------|-------------------------------------|-----------------------------------|---------------------------|
| Source of operating funding | | | | |
| General rates, uniform annual general charges, rates penalties | 15,549 | 16,253 | 16,900 | 17,225 |
| Targeted rates | 45,827 | 43,851 | 46,575 | 44,119 |
| Subsidies and grants for operating purposes | 3,574 | 3,744 | 2,941 | 3,704 |
| Fees and charges | 10,061 | 12,643 | 11,085 | 12,905 |
| Interest and dividends from investments | 12 | 162 | 12 | 608 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 759 | 1,240 | 690 | 615 |
| Total operating funding (A) | 75,783 | 77,893 | 78,204 | 79,176 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 59,073 | 59,134 | 60,008 | 61,562 |
| Finance costs | 2,636 | 2,202 | 2,624 | 2,470 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding (B) | 61,709 | 61,336 | 62,632 | 64,032 |
| Surplus(deficit) of operating funding (A - B) | 14,074 | 16,557 | 15,572 | 15,144 |
| Source of capital funding | | | | |
| Subsidies and grants for capital expenditure | 5,065 | 4,988 | 5,030 | 3,822 |
| Development and financial contributions | 1,667 | 2,132 | 1,733 | 2,625 |
| Increase/(decrease) in debt | 9,394 | 200 | 7,354 | 900 |
| Gross proceeds from sale of assets | 156 | 159 | 582 | 610 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 | 0 |
| Total sources of capital funding (C) | 16,281 | 7,480 | 14,699 | 7,957 |
| Application of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 1,194 | 1,378 | 1,191 | 799 |
| - to improve the level of service | 15,092 | 12,451 | 9,215 | 8,852 |
| - to replace existing assets | 14,149 | 11,629 | 19,769 | 12,864 |
| Increase/(decrease) in reserves | (80) | (1,421) | 97 | 586 |
| Increase/(decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding (D) | 30,355 | 24,037 | 30,272 | 23,101 |
| Surplus(deficit) of capital funding (C - D) | (14,074) | (16,557) | (15,572) | (15,144) |
| FUNDING BALANCE ((A - B) + (C - D)) | 0 | 0 | 0 | 0 |

Roads and footpaths funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 3,757 | 3,851 | 4,371 |
| Targeted rates | 3,980 | 4,183 | 3,430 |
| Subsidies and grants for operating purposes | 2,502 | 2,582 | 3,249 |
| Fees and charges | 90 | 92 | 523 |
| Internal charges and overheads recovered | 531 | 486 | 469 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 411 | 418 | 399 |
| Total operating funding (A) | 11,271 | 11,613 | 12,441 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 6,884 | 6,912 | 7,722 |
| Finance costs | 263 | 303 | 154 |
| Internal charges and overheads applied | 1,236 | 1,327 | 1,267 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 8,383 | 8,542 | 9,143 |
| Surplus(deficit) of operating funding (A - B) | 2,888 | 3,071 | 3,297 |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 3,494 | 3,519 | 3,721 |
| Development and financial contributions | 335 | 342 | 528 |
| Increase/(decrease) in debt | 2,312 | 1,117 | 1,271 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | 6,142 | 4,979 | 5,520 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 547 | 527 | 675 |
| - to improve the level of service | 2,171 | 2,229 | 2,573 |
| - to replace existing assets | 6,548 | 6,303 | 6,657 |
| Increase/(decrease) in reserves | (236) | (1,009) | (1,088) |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 9,030 | 8,050 | 8,817 |
| Surplus(deficit) of capital funding (C - D) | (2,888) | (3,071) | (3,297) |
| FUNDING BALANCE ((A - B) + (C - D)) | (0) | (0) | 0 |

Stormwater funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 928 | 956 | 937 |
| Targeted rates | 2,176 | 2,241 | 2,139 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees and charges | 0 | 0 | 0 |
| Internal charges and overheads recovered | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 |
| Total operating funding (A) | 3,104 | 3,197 | 3,076 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 765 | 791 | 905 |
| Finance costs | 105 | 90 | 50 |
| Internal charges and overheads applied | 736 | 757 | 753 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 1,605 | 1,637 | 1,708 |
| Surplus(deficit) of operating funding (A - B) | 1,499 | 1,560 | 1,368 |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 57 | 59 | 114 |
| Increase/(decrease) in debt | (437) | (761) | 82 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | (380) | (702) | 196 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve the level of service | 667 | 172 | 596 |
| - to replace existing assets | 451 | 687 | 648 |
| Increase/(decrease) in reserves | 0 | 0 | 320 |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 1,118 | 859 | 1,564 |
| Surplus(deficit) of capital funding (C - D) | (1,499) | (1,560) | (1,368) |
| FUNDING BALANCE ((A - B) + (C - D)) | 0 | 0 | 0 |

Wastewater funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 0 | 0 | 0 |
| Targeted rates | 15,865 | 16,001 | 15,295 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees and charges | 0 | 0 | 16 |
| Internal charges and overheads recovered | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 |
| Total operating funding (A) | 15,865 | 16,001 | 15,311 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 6,531 | 6,754 | 6,110 |
| Finance costs | 1,861 | 1,697 | 1,447 |
| Internal charges and overheads applied | 2,974 | 2,793 | 3,081 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 11,366 | 11,245 | 10,638 |
| Surplus(deficit) of operating funding (A - B) | 4,499 | 4,756 | 4,674 |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 465 | 477 | 949 |
| Increase/(decrease) in debt | (4,020) | (2,469) | (2,172) |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | (3,555) | (1,992) | (1,223) |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 63 | 65 | 58 |
| - to improve the level of service | 445 | 1,257 | 695 |
| - to replace existing assets | 602 | 1,508 | 1,692 |
| Increase/(decrease) in reserves | (166) | (66) | 1,006 |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 944 | 2,764 | 3,451 |
| Surplus(deficit) of capital funding (C - D) | (4,499) | (4,756) | (4,674) |
| FUNDING BALANCE ((A - B) + (C - D)) | 0 | 0 | 0 |

Water supply funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 0 | 0 | 0 |
| Targeted rates | 7,656 | 8,013 | 7,559 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees and charges | 1,495 | 1,495 | 1,445 |
| Internal charges and overheads recovered | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 |
| Total operating funding (A) | 9,151 | 9,508 | 9,004 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 4,985 | 5,155 | 4,502 |
| Finance costs | 294 | 288 | 242 |
| Internal charges and overheads applied | 1,129 | 1,164 | 1,183 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 6,407 | 6,607 | 5,927 |
| Surplus(deficit) of operating funding (A - B) | 2,744 | 2,901 | 3,077 |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 134 | 143 | 299 |
| Increase/(decrease) in debt | 107 | 57 | (7) |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | 241 | 199 | 292 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve the level of service | 828 | 1,059 | 2,256 |
| - to replace existing assets | 1,420 | 1,805 | 1,521 |
| Increase/(decrease) in reserves | 737 | 236 | (408) |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 2,985 | 3,100 | 3,369 |
| Surplus(deficit) of capital funding (C - D) | (2,744) | (2,901) | (3,077) |
| FUNDING BALANCE ((A - B) + (C - D)) | 0 | 0 | 0 |

Solid waste funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 1,046 | 1,058 | 1,245 |
| Targeted rates | 2,954 | 3,121 | 2,845 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees and charges | 2,084 | 2,121 | 3,229 |
| Internal charges and overheads recovered | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 |
| Total operating funding (A) | 6,084 | 6,300 | 7,319 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 4,754 | 4,839 | 6,321 |
| Finance costs | 144 | 158 | 97 |
| Internal charges and overheads applied | 825 | 881 | 904 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 5,723 | 5,878 | 7,322 |
| Surplus(deficit) of operating funding (A - B) | 361 | 422 | (4) |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 138 |
| Increase/(decrease) in debt | 1,525 | (353) | (156) |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | 1,525 | (353) | (18) |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve the level of service | 498 | 0 | 29 |
| - to replace existing assets | 1,520 | 27 | 263 |
| Increase/(decrease) in reserves | (132) | 42 | (315) |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 1,886 | 69 | (22) |
| Surplus(deficit) of capital funding (C - D) | (361) | (422) | 4 |
| FUNDING BALANCE ((A - B) + (C - D)) | 0 | 0 | 0 |

Representation funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 2,943 | 3,112 | 4,280 |
| Targeted rates | 1,587 | 1,660 | 864 |
| Subsidies and grants for operating purposes | 0 | 0 | 5 |
| Fees and charges | 0 | 0 | 2 |
| Internal charges and overheads recovered | 1,335 | 1,237 | 1,295 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 56 | 41 | 0 |
| Total operating funding (A) | 5,921 | 6,050 | 6,446 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 2,631 | 2,577 | 2,405 |
| Finance costs | 79 | 77 | 74 |
| Internal charges and overheads applied | 3,201 | 3,376 | 4,047 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 5,911 | 6,030 | 6,526 |
| Surplus(deficit) of operating funding (A - B) | 10 | 20 | (79) |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 13 | 14 | 16 |
| Increase/(decrease) in debt | 7 | (2) | 74 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | 20 | 12 | 90 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve the level of service | 0 | 0 | 0 |
| - to replace existing assets | 102 | 25 | 8 |
| Increase/(decrease) in reserves | (72) | 7 | 3 |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 30 | 32 | 11 |
| Surplus(deficit) of capital funding (C - D) | (10) | (20) | 79 |
| Funding balance ((A - B) + (C - D)) | 0 | 0 | 0 |

Planning and regulation funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 3,105 | 3,389 | 3,735 |
| Targeted rates | 304 | 335 | 332 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees and charges | 4,190 | 4,287 | 5,020 |
| Internal charges and overheads recovered | 1,105 | 1,058 | 1,128 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 20 | 20 | 2 |
| Total operating funding (A) | 8,724 | 9,089 | 10,217 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 5,412 | 5,516 | 7,116 |
| Finance costs | 17 | 25 | 29 |
| Internal charges and overheads applied | 3,460 | 3,596 | 4,235 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 8,889 | 9,136 | 11,380 |
| Surplus(deficit) of operating funding (A - B) | (164) | (47) | (1,163) |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase/(decrease) in debt | 347 | 184 | 818 |
| Gross proceeds from sale of assets | 0 | 0 | 70 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | 347 | 184 | 888 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve the level of service | 16 | 9 | 12 |
| - to replace existing assets | 836 | 968 | 501 |
| Increase/(decrease) in reserves | (669) | (840) | (788) |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 182 | 137 | (275) |
| Surplus(deficit) of capital funding (C - D) | 164 | 47 | 1,163 |
| FUNDING BALANCE ((A - B) + (C - D)) | 0 | (0) | 0 |

Protection of people and the environment funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 2,225 | 2,351 | 2,444 |
| Targeted rates | 64 | 64 | 31 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees and charges | 542 | 552 | 807 |
| Internal charges and overheads recovered | 628 | 590 | 561 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 243 | 248 | 197 |
| Total operating funding (A) | 3,702 | 3,806 | 4,040 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 791 | 817 | 883 |
| Finance costs | 58 | 62 | 35 |
| Internal charges and overheads applied | 2,245 | 2,286 | 2,329 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 3,094 | 3,165 | 3,247 |
| Surplus(deficit) of operating funding (A - B) | 607 | 641 | 794 |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase/(decrease) in debt | 471 | (61) | 71 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | 471 | (61) | 71 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve the level of service | 583 | 65 | 3 |
| - to replace existing assets | 0 | 0 | 0 |
| Increase/(decrease) in reserves | 495 | 516 | 862 |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 1,078 | 580 | 865 |
| Surplus(deficit) of capital funding (C - D) | (607) | (641) | (794) |
| FUNDING BALANCE ((A - B) + (C - D)) | 0 | 0 | 0 |

Community space and development funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 0 | 0 | 0 |
| Targeted rates | 10,396 | 10,748 | 11,053 |
| Subsidies and grants for operating purposes | 55 | 55 | 340 |
| Fees, charges and targeted rates for water supply | 1,474 | 1,519 | 1,551 |
| Internal charges and overheads recovered | 52 | 53 | 57 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 17 |
| Total operating funding (A) | 11,977 | 12,376 | 13,017 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 6,616 | 5,614 | 6,558 |
| Finance costs | 361 | 366 | 315 |
| Internal charges and overheads applied | 3,422 | 3,547 | 4,045 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 10,399 | 9,527 | 10,918 |
| Surplus(deficit) of operating funding (A - B) | 1,577 | 2,848 | 2,099 |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 149 | 9 | 101 |
| Development and financial contributions | 663 | 698 | 581 |
| Increase/(decrease) in debt | 977 | 128 | 793 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | 1,788 | 835 | 1,475 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 391 | 314 | 66 |
| - to improve the level of service | 2,117 | 1,239 | 2,687 |
| - to replace existing assets | 1,976 | 1,374 | 1,536 |
| Increase/(decrease) in reserves | (1,119) | 756 | (715) |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 3,365 | 3,683 | 3,574 |
| Surplus(deficit) of capital funding (C - D) | (1,577) | (2,848) | (2,099) |
| FUNDING BALANCE ((A-B) + (C-D)) | 0 | 0 | 0 |

Economic development funding impact statement

For the year ended 30 June 2018

| | 2017 Long-term plan \$000's | 2018 Long-term plan \$000's | 2018 Actual \$000's |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Source of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 859 | 1,345 | 896 |
| Targeted rates | 611 | 609 | 623 |
| Subsidies and grants for operating purposes | 0 | 0 | 110 |
| Fees and charges | 716 | 724 | 313 |
| Internal charges and overheads recovered | 322 | 438 | 404 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 1 | 1 | 0 |
| Total operating funding (A) | 2,509 | 3,118 | 2,346 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 1,874 | 1,583 | 1,270 |
| Finance costs | 106 | 169 | 26 |
| Internal charges and overheads applied | 743 | 852 | 942 |
| Other operating funding applications | 0 | 0 | 0 |
| Total applications of operating funding (B) | 2,723 | 2,605 | 2,237 |
| Surplus(deficit) of operating funding (A - B) | (214) | 514 | 108 |
| Source of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase/(decrease) in debt | 3,428 | 1,261 | (82) |
| Gross proceeds from sale of assets | 0 | 0 | 540 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding (C) | 3,428 | 1,261 | 458 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve the level of service | 1,043 | 0 | 0 |
| - to replace existing assets | 2,094 | 1,676 | 39 |
| Increase/(decrease) in reserves | 76 | 99 | 527 |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding (D) | 3,214 | 1,775 | 566 |
| Surplus(deficit) of capital funding (C - D) | 214 | (514) | (108) |
| FUNDING BALANCE ((A - B) + (C - D)) | 0 | 0 | 0 |

Council Controlled Organisations | Ngā Kūiao a te Kaunihera

Information on Council Controlled Organisations

Council Controlled Organisations (CCOs) are any organisation in which one or more local authorities control 50% or more of the voting rights or appoint 50% or more of the directors.

Council has an interest the following CCOs:

- Local Authority Share Services Limited; and
- The New Zealand Local Government Funding Agency.

Council resolved to exempt Destination Coromandel, Hauraki Rail Charitable Trust and the Thames Valley Emergency Operating Area as a CCO in accordance with Section 7 of the Local Government Act 2002.

Outlined below are the significant policies and objectives, nature and scope of activities, key performance targets and outcomes for the 2017-18 year for each organisation.

The key performance targets disclosed in the tables below for Local Authority Shared Services Limited and the New Zealand Local Government Funding Agency Limited may be slightly different compared to the targets disclosed in the Long Term Plan (LTP) 2015-25. This either is due to the organisations having developed additional targets or modified the way in which they present the targets, since the LTP was prepared.

Waikato Local Authority Shared Services Limited (WLASS)

Ownership

Council has a one-twelfth ordinary shareholding in WLASS (one share at \$1,000). The Council also holds service shares in the Waikato Region Aerial Photography Service (6,476 shares at \$1), the Shared Valuation Data Service (108,015 shares at \$1) and the Waikato Regional Transport Model (2,250 shares at \$10) activities of the company. These service shareholdings give no rights to a share in the distribution of surplus assets, nor do they provide voting rights. The balance of the remaining shares is owned by other Local Authorities.

Representation (total members)

1(12)

Significant policies and objectives

The primary objective of the Company is to provide the Waikato region local authorities with a vehicle to develop shared services that demonstrate a benefit to the ratepayers and provide those services to local authorities.

Gains have been realised by shareholders in the Shared Valuation Data Service (SVDS), the Waikato Regional Transport Model (WRTM) and through joint procurement contacts.

Nature and scope of activities

The company is used as an umbrella company to investigate opportunities for future development of shared services. The specific objectives of the company are agreed each year in accordance with the constitution and the Statement of Intent (SOI). During the past year, the Company has continued to focus on demonstrating the value that WLASS delivers to the shareholding councils through procurement, facilitation of Waikato Mayoral Forum work streams and improving efficiency of the existing shared services operating under WLASS.

Key performance targets

Performance targets are specified in the WLASS SOI for 2017-2018 and are summarised with the actual results below:

| Performance target | Actual outcome |
|---|----------------|
| Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented. | Achieved |
| Collaborative projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented. | Achieved |
| Existing WLASS contracts Existing contracts are managed and renegotiated as required. | Achieved |
| Cash flow The company shall maintain a positive cash flow. | Achieved |

| Performance target | Actual outcome |
|--|--------------------------------------|
| Cost control Administration expenditure shall be managed and monitored. | Achieved |
| Reporting Six monthly reports provided to shareholders. | Achieved |
| Waikato Mayoral Forum The company shall provide administrative support and updates on Mayoral Forum workstreams to the Mayoral Forum. | Achieved |
| Shared Valuation Data Services (SVDS) The SVDS is reliable, well maintained and available to all users. | Achieved and not applicable (i) |
| Insurance Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with AON | Achieved |
| RATA All stakeholders are kept informed about RATA's projects and achievements and sub-regional data collection contracts deliver good quality data on roading assets. | Achieved and partially achieved (ii) |
| Waikato Regional Transport Model (WRTM) The WRTM is reliable, well maintained and available to all users. | Achieved |
| Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region. | Achieved two out 3 outcomes (iii) |
| Future Proof All stakeholders are kept informed about Future Proof's projects and achievements. | Achieved |
| Shareholder survey Shareholders are satisfied with the performance of WLASS. | In progress (iv) |
| Review of benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS. | Achieved and partially achieved (v) |

- i. There were no capital enhancements during the period.
- ii. Report on outcomes completed and shared but in January 2018.
- iii. Lack of resource has compromised the audit programme. This issue is being addressed as part of the WBCG strategy for FY19.
- iv. The survey has been completed although the response rate was low, at 42%. Results were being reported to shareholders as part of the annual report.
- v. The Collaboration in Action document is complete and included on WLASS's website, with shareholding Council's being notified, although this occurred in the first half of 2018.

A full copy of the WLASS annual report can be obtained from the Waikato Regional Council website
<http://www.waikatoregion.govt.nz>

Local Government Funding Agency (LGFA)

Ownership

LGFA has 31 shareholders, comprising the New Zealand Government (20%) and 30 councils (80%).

Representation (total members)

56 councils

Significant policies and objectives

LGFA operates with two primary objectives.

1. Optimising the debt funding terms and conditions for participating local authorities
2. Monitoring the quality of the asset book so that it remains of a high standard by ensuring it understands each participating local authority's financial position and the general issues confronting the Local Government sector.

Nature and scope of activities

LGFA was established to provide more efficient funding costs and diversified funding sources for New Zealand local authorities. LGFA was established to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.

Three councils joined LGFA in the 12-month period to June 2018, bringing the total number of council members to 56. Councils can access flexible lending conditions by using the short-term lending and bespoke lending products. Councils can borrow for terms ranging from 30 days to 15 years at any time they wish to draw down. Bespoke lending for council members has continued to grow in popularity over the past year. During the 12-month period to 30 June 2018, LGFA lent \$842.6 million on a bespoke basis to 35 councils. This was 77% of total term lending to council members over that period. Short-term borrowing by councils as at 30 June 2018 was \$244 million comprising borrowing from 20 councils for terms between one and 12 months.

Key performance targets

Performance targets are specified in the LGFA Statement of Intent (SOI) for 2017-2018 and are summarised with the actual results below:

| Performance targets | Actual outcome |
|--|------------------|
| Providing savings in annual interest costs for all participating local authorities. | Achieved |
| Making longer term borrowings available to participating local authorities. | Achieved |
| Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice. | Achieved |
| Offering more flexible lending terms to participating local authorities. | Achieved |
| LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each participating local authority's financial position and the general issues confronting the Local Government sector. | Achieved |
| Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated dividend policy set out in section 6 of the SOI. | Achieved |
| Provide at least 50% of aggregate long term debt funding for participating local authorities. | Achieved |
| Ensure that its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI. | Achieved |
| Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015. | Achieved |
| Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same rating agency. | Achieved |
| Achieve the financial forecasts set out in section 4 (excluding the impact of AIL) of the SOI. | Achieved |
| Meet or exceed the performance targets outlined in section 5 of the SOI. | Not achieved (i) |
| Comply with its treasury policy, as approved by the Board. | Achieved |

(i) Three of the four performance targets were not achieved. The three not achieved were

- The average margin above LGFA's cost of funds charged to the highest rated participating local authorities for the period. The average margin on loans to councils was higher than the SOI target due to many councils borrowing from LGFA for longer tenors at higher margins.
- Lending to participating local authorities was lower than expected due to the timing of the March 2019 loan refinancing. This led to LGFA not achieving their target for lending volume (of \$8.128 million budgeted vs. \$8,119 million actual). They are to work closer with councils in the coming year regarding the timing of their borrowing.
- Savings on borrowing costs for council borrowers relative to other sources of financing and compared to previous years reduced slightly during the 12-month period. The basis point spread decreased due to lack of single name issuance by councils. This reduced supply tightened comparable spreads for Auckland Council and Dunedin City Treasury Bonds.

A full copy of the LGFA annual report can be obtained from the LGFA website at www.lgfa.co.nz.

Council policies| Ngā Kaupapa Here ā Kaunihera

Contribution to decision-making by Māori

This section outlines the steps the Council intends to take to foster the development of Māori capacity to contribute to decision-making processes.

The Thames-Coromandel District Council is obliged to ensure that Māori have the opportunity to participate in Council decision-making processes. The Local Government Act 2002 sets out a clear purpose for local government – to promote social, economic, cultural and environmental well-being through local decision-making and action. Every day iwi, hapū, whānau and Māori communities are affected by decisions made by the Council. Much of what Council does is directly relevant to Māori and requires good relationships at a local level.

The Council is required by the Act to:

- establish and maintain opportunities for Māori to contribute to decision-making processes (particularly in relation to land and water bodies);
- ensure processes are in place for consulting with Māori;
- consider ways in which they can foster the development of Māori capacity to contribute to decision-making processes;
- provide relevant information to Māori.

Steps to foster the development of Māori capacity to contribute to decision-making

The Council intends to undertake the following steps, to foster the development of Māori capacity to contribute to its decision-making processes:

- the Council will compile a database of those who wish to be considered Māori for the purposes of the Local Government Act 2002. The Council will maintain a process to ensure this database is current and up to date.
- those persons who have identified themselves as Māori will be specifically targeted for consultation when the Council decides that it wishes to consult. Where specific legislation requires specific consultation with Māori or tangata whenua, then the requirements of that specific legislation will override this step.
- the Council will identify key issues of particular interest to Māori.
- the Council will gather information on Māori perspectives about Council activities.
- the Council will consciously build on the good quality relationships that have already been established. Examples include the development of further Memorandums of Understanding and relationships developed through other processes such as the Resource Management Act, Coromandel Peninsula Blueprint project and the Council's strategic work programme.
- the Council will identify a work programme to progress the items above.
- the Council will progress the above work programme as staff time and funding allows.

Hauraki Treaty Settlement

1. In anticipation of the settlement of the Treaty of Waitangi claims for Hauraki iwi, local government agencies within the rōhe of Hauraki iwi are, at the invitation of the Crown, participating in the settlement negotiations process. This participation includes:
 - Governance level meetings with the Chief Crown Negotiator, staff from the Office of Treaty Settlements, and the Hauraki Collective;
 - Participation at officer level in the Crown Technical Working Group in developing governance and operational processes including co-governance arrangement for the Waihou and Piako river catchments and for the Coromandel Peninsula;
 - Co-governance arrangements for key Crown reserves being transferred to individual Hauraki Iwi as cultural redress;
 - Addressing TCDC specific matters arising through the Treaty settlement process.
2. A contact list for Resource Management Act consultation purposes is held by the Council and updated in July of each year. This has been used frequently as part of the District Plan review.
3. Staff have provided advice of bylaw and strategy consultations directly to the iwi and hapū on Council's contact list for Hauraki and will continue this direct contact into the future.
4. Appeals by Hauraki iwi to the Proposed District Plan have been engaged with in good faith and on a without prejudice basis in an attempt to gain a better understanding of the relief sought and where possible reach agreement without court assistance.



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