

# YOUR COMMUNITY - YOUR COUNCIL ANNUAL REPORT 2017/18



Clutha District Council



# COUNCIL'S REPORTING DOCUMENTS

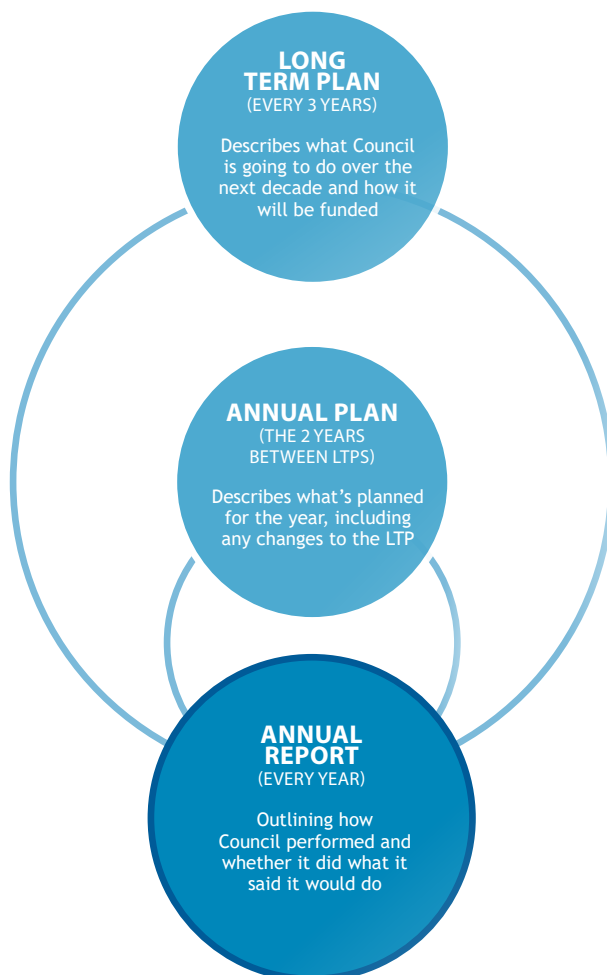
Council uses a number of processes to realise its vision for the district and to help provide accountability to the community.

All local authorities are required to prepare an Annual Report under Section 98 of the Local Government Act 2002.

Annual Reports are part of a cycle which includes Long Term Plans (every three years) and Annual Plans in the two years between Long Term Plans.

The purpose of an annual report is:

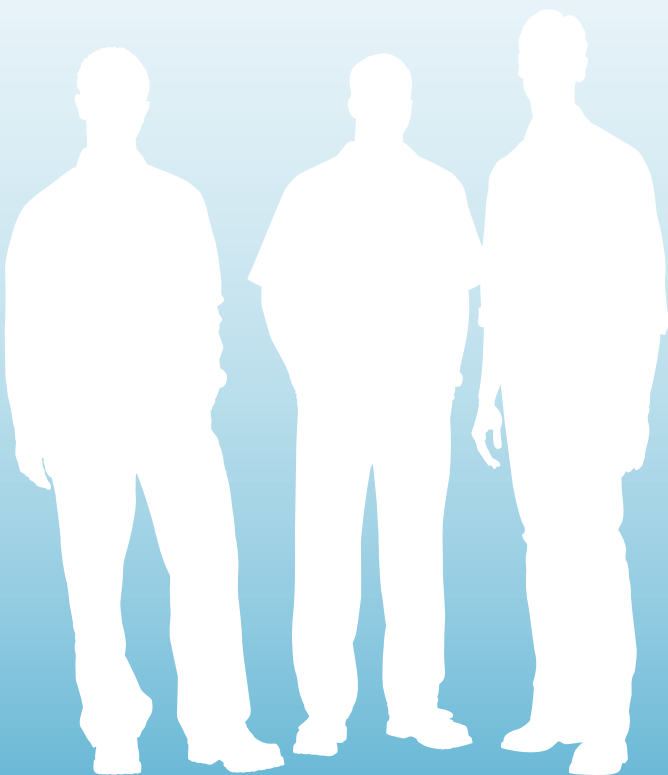
- to compare Council's actual activities and performance during the year with the planned activities and performance for the year as set out in Council's 2015/25 Long Term Plan and 2017/18 Annual Plan; and
- to promote Council's accountability to the community for the decisions made throughout the year.



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# INTRODUCTION



This section includes the Annual Report Foreword, updates on 'Living And Working in Clutha' and major infrastructure projects including the Auditor's Report.

# FOREWORD



These are defining times for the Clutha District. As we benefit from sustained buoyancy in our economy, Council continues to play a leading role in facilitating positive change and taking full benefit of our natural advantages.

Looking back over the past year I will always remember 2017/18 as the period where we first saw the structural changes that have been implemented throughout the organisation materialising into tangible gains. Our organisation's increased capacity is enabling us to respond in a timely fashion to demands and project requirements that are presently at a level unprecedented in our Council's history.

Changes that have fundamentally altered the way we do business of note have been the completion of the ERP project. For those like myself that hate acronyms ERP (Enterprise Resource Planning) is the new organisation-wide technology system, the implementation of which was not without its challenges. But it is already enabling greater connectivity and awareness throughout the different components of Council and it gives us the ability to address systemic inefficiencies and a surer footing to respond to future demands. This project was one of those critical enablers that had to be introduced prior to a raft of other projects as Council strives to attain industry leading standards and a level of service that better aligns to our ratepayers expectations. Whilst the project carried significant risk and was implemented right at the start of this period, business-as-usual was available within days of system changeover. Full implementation across all activities has taken most of this past year to complete and was carried out in the same year that Council completed the Long Term Plan 2018/2028 (LTP).

The production of the Long Term Plan was another significant achievement using the new ERP. The risk was managed and a Long Term Plan was produced that was broader in scope and greater in depth than even

the last LTP (LTP 2015/2025) where Council announced a change in strategic direction to promote growth. Four key consultation questions included future-proofing Mt Cootee with a recovery centre and transfer station, upgrading Milton's main street and including a destination toilet, sealing unsealed urban roads, and changing the Community Services rating system to a fairer rate base for facilities. In addition Council agreed to contribute to improvements to the Clutha Gold Trail, an extension to the Cross Recreation Centre, and underwriting a loss from developing the Rosebank Industrial Park.

The LTP also made significant decisions about the sustainability of our infrastructure and meeting our obligations for safe and reliable drinking water and compliance with consent conditions. This was all completed with a challenging but in our view sustainable financial plan that kept the ratepayer's "ability to pay" at the forefront.

Another change was our overall investment strategy. In the past we have not always been in a position to take full advantage of the earning capacity our reserves should generate. While we are acutely aware of our responsibility to maintain fiscal prudence we also have a responsibility to act in a measured and calculated way to the benefit of our ratepayers. In addition our previous tactic to return the bulk of the proceeds from interest back to the reserve accounts has penalised the past generation in the fact that intergenerational distribution was not being considered. In effect investment reserves were being built up when more should have been distributed back out. Consequently Council has set new distribution and investment rules for its internal bank (using our own funds to loan to capital projects) and its external investments, which also benefited from a jump in investment funds from the sale of forestry. Our external investments to date produced a pleasing result with, considerably greater revenue generated than budgeted that has enabled Council a degree of latitude and a framework enabling

us to address the previous deficiencies. We believe we have balanced the need to maintain the relativity of accounts while also now having the ability to return additional income evenly to all ratepayers through the Uniform Annual General Charge in future years.

Focus in recent years on growth projects has continued primarily driven by outcomes from our various community plans, and the emphasis is constantly changing at a rapid pace. It would have almost been inconceivable to have imagined only a hand full of years ago that the dominant impediment to our districts economic growth would be the shortage in accommodation. This year has seen a continuation in growth of new rateable properties throughout the district, and while there has been considerable work in this area, demand is far outstretching our ability to respond. Kaitangata's housing and the North Balclutha residential subdivision are two examples of how

Council has led the way and while progress hasn't been apparent to many, the end results speak for themselves.

In conclusion the changes made in the last year have contributed considerably to the stated goal of council which is to strive for efficiencies while increasing the level of services right across all operations. The platform has now been laid and Council looks forward to continuing to lead the way with our growth projects, streamlined services, and determination to make Clutha an attractive place to live, work and play - onwards and upwards.

Bryan Cadogan  
Mayor

Steve Hill  
Chief Executive



# LIVING & WORKING IN CLUTHA



In our 2015/25 Long Term Plan we introduced two broad initiatives known as Facilitating Growth and Living and Working in Clutha. Each of these programmes span several of our delivery areas and provide us with a supporting strategy to underpin large complex pieces of work. These all benefit the district and contribute to many of Council's goals. In this section of the report we provide updates on the larger programmes which are part of these initiatives.

## SUBDIVISION PROGRESSES

One of the goals of our 2015/25 Long Term Plan is for Council to take a leadership role in driving our district's economy and to be proactive about promoting growth. In addition, there is a known accommodation shortfall in Balclutha. The Council-led Plantation Heights subdivision aims to give Balclutha the ability for further residential development.

In December 2016 Council decided to develop a block of land in North Balclutha previously in forestry and being used for grazing, into a 27 hectare residential development to help facilitate growth in Balclutha. The design work created a development with 66 sections with views out to Kaka Point and the Nuggets. Roads, footpaths, cycle and walkways, including reserve park land, are also provided for. Services, including ultra-fast broadband, are available at the boundaries of all sites.

The main construction contract for road, water, sewer and stormwater construction was awarded in October 2016 and was completed in May 2017 with titles issued in late June. The contract was completed on time and under budget.

As of 30 September 2018, seventeen sections have been sold with another eight current sale and purchase agreements to reach settlement date.

## MORE RESIDENTIAL DEVELOPMENT

### Supporting opportunities in Kaitangata

During the consultation period for the 2017/18 Annual Plan, Council received a proposal from Kaitangata Promotions for support to help encourage uptake of its

newly-developed House and Land Packages. Given the quality of the proposal and its close alignment with Council's plan to drive development in the district, Council agreed to provide support for this initiative in the form of reimbursement of fees for building consent, sewage and water connections.

In addition evidence was presented that indicated people were unable to take up the construction of house and land packages under the scheme from where they currently resided e.g. Auckland, but that they would be able to take up a turn-key development i.e. buy a completed house. Council was requested to and approved the construction of a house on Council land to sell through the Kaitangata Promotions House and Land Package initiative.

Council has recently entered into a contract to deliver the first house under this initiative in late 2018.

### Residential and Industrial Zoning - Balclutha, Stirling and Milton

To encourage economic development and investment, Council investigated industrial zoned land opportunities in these three towns, with greater potential in Milton being available. To complement this Council also explored further residential expansion potential in and around the same towns to support the living aspect of the Living and Working Strategy. In late 2017, Council notified plan changes for these three towns that included additional areas of land proposed to be zoned for residential or industrial purposes. Submissions were received on these and have been summarised ready for further notification. This has been placed on hold while the Milton plan change, in particular the large industrial area north of Milton, is further refined by way of a spatial plan. This will necessitate a re-notification to incorporate the structure plan into the plan change.



## WORKING IN CLUTHA INITIATIVE

This is about implementing and managing a project to facilitate recruitment and employment opportunities in the Clutha District.

The community of Kaitangata achieved international interest in a house and land package that Council continues to support. As a consequence of all of the applicants looking for a house and a job, Council supported a Clutha Development Inc initiative called 'Working in Clutha'. This initiative developed and established support systems to connect employers and job seekers in the Clutha District, reducing the gap between jobs available and jobs filled. As a result positions were filled, industry skill shortages identified and discussions held with employers and industry stakeholders to look for options to upskill local people looking for work. There has also been work to see how we can meet the requirements to employ and support migrant workers.

Council has just recommitted to this initiative by including it in baseline funding of Clutha Development Inc. for the LTP 2018/28.

## INDUSTRIAL DEVELOPMENT

The Rosebank industrial area continues to develop.

After identifying that there was a shortage of industrial land in Balclutha, and insufficient industrial land to service future demand. Council purchased the old Rosebank sawmill site at the start of 2016/17. The aim was to develop the site and make it available to encourage economic development and investment.

Council let a contract in 2017/18 for the development of the site into 11 serviced lots and is currently progressing that construction project. Council also informed ratepayers through the 2018/28 Long Term Plan consultation that a loss was expected to be made on the development, but that the loss would be met through funds generated by sales of surplus property rather than by rates. As of 30 September 2018 two lots have been sold, and four lots have sale and purchase agreements waiting to be settled.

## OUR PLACE COMMUNITY PLANS

Closely linked with the Living and Working Strategy is the development of community plans for the District's communities. The 'Our Place' community plan process is designed to help determine the projects and priorities for communities, as well as help put Council's Living and Working and Economic Development Strategies into action.

The ideas centred on what Council can do with our key facilities and how we can work with the community to make things happen. The focus of this planning was on Milton and Waihola in 2017/18, which was carried out in conjunction with our Reserves Management Plan updates. The process has enabled Council to gain a greater understanding of the future direction residents want their towns to take.

Key projects for Milton include the main street, walking and cycling, parks and reserves, key facilities, development opportunities and Milton's pool.



# MAJOR INFRASTRUCTURE PROJECTS

Updating you on our main infrastructure projects from 2017/18

## KAITANGATA AND HERIOT SEWERAGE UPGRADES

The construction of the new pond upgrade and membrane treatment system in Heriot and Kaitangata were completed in 2017/18. These systems are now being optimised, showing promising early results, and we expect them to be able to meet consent conditions into the future. This work also included desludging of the 30 year old oxidation ponds.

## PROGRESS WITH LED STREETLIGHT CONVERSION

In 2017/18 Council committed to a programme to convert the District's 1,500 High Pressure Sodium (SON) streetlights to Light Emitting Diode (LED) streetlights. This was budgeted at \$1,000,000 with an 85% assistance rate from NZTA, with Council's share of \$150,000 to be funded from depreciation reserves. Council purchased new LED streetlights but installation was not able to be carried out during 2017/18 due to lack of contractor availability. The installation of these lights is expected to be completed in the 2018/19 year. Anticipated benefits include streetlights costing less to run and maintain, with less outages because LEDs last longer. There will also be vehicle and pedestrian safety benefits and a darker night sky with less over spill.

## BRIDGES UPDATE

Hina Hina Bridge is an important part of our roading network, offering a shorter route for the local farming community and to the increasingly popular Jacks Bay and Jack's Bay Blowhole. Geotechnical investigations were completed last year. This work provides important information to enable preliminary design and cost estimates to be developed so that a business case for the renewal of this ridge can be prepared for consideration by the NZTA in the 2018/19 Year. The timing of construction for this bridge will be dependent on NZTA approvals.

The single lane bridge in Lismore Street, Lawrence, has been replaced with a new double lane bridge that now means that weight restrictions can be removed.

## MILTON WATER TREATMENT PLANT IMPROVEMENTS

A new clarifier was commissioned at the Milton Water treatment plant in 2017/18. This has significantly reduced the load on the membrane filters and has meant that the treatment plant has continued to produce excellent quality water even when the Tokomairiro River is very dirty and in flood. This also provides some additional treatment capacity for future growth in the Milton and Waihola areas.

## RURAL WATER IMPROVEMENTS

Major pipeline renewals of high pressure mains took place on the Tuapeka and Moa Flat schemes, with this work continuing into the 2018/19 year.

Several rural water treatment plant renewals were programmed this year for the Clydevale-Pomahaka, Glenkenich, Moa Flat, North Bruce, Richardson and Tuapeka schemes. Several scheme committees have indicated they would like to consider raw water storage alongside the treatment upgrades, and work continued to evaluate options.

## STORMWATER IMPROVEMENTS

The Palmer Place Pump station project was completed this year, to help address stormwater issues in this area within Taieri Mouth. It has worked as expected in that it has enabled the catchment to drain quickly once the peak flows from an event have subsided. This system was not designed to cater for peak stormwater flows as this was not considered economic.

## BALCLUTHA CAST IRON MAINS RENEWAL

The main supply pipeline between Balclutha and the McKay Road reservoir was renewed with a new heavy duty polyethylene pipe that is expected to last 100 years or more. After some early teething problems, there has been a noticeable improvement in water quality in the Hospital Road area of Balclutha since this new pipe was commissioned.

# FINANCIAL OVERVIEW

## 2017/18

### MAJOR VARIANCES EXPLAINED

Council operates in a diverse and complex business and this is reflected in the items recorded against operating revenue and costs, and ultimately the operating surplus result for 2017/18. After forecasting \$1.4 million in 2017/18, Council recorded a \$2.6 million surplus.

Revenue was greater than budget by \$2,327k but within the different categories there was some variance:

- Actual vested assets were \$1,547k. Budget was zero.
- At year end we had an unrealised gain on investments of \$2,177k. Budget was zero.
- Actual investment returns were \$555k compared to a budget of \$270k.
- Asset disposals including development property generated a loss of \$625k. Budget was zero.
- The NZTA subsidy was \$9,327k compared to a budget of \$9,620k.
- Fee activity was up with actual revenue of \$729k compared to a budget of \$528k.

Expenditure was more than budget by \$1,193k but within the different categories there was some variance:

- Depreciation was less than budget by \$324k due to the devaluation last year of the property, plant and equipment.
- Actual severance payments of \$53k were paid out. Budget was zero.
- Consultancy fees were \$199k higher than budget due to design changes in capital projects, asset management work and legal fees.
- Recording of bad debt expense as an allowance of \$56k. Budget was zero.

	ACTUAL 30 JUNE 2018 (\$,000)	BUDGET 30 JUNE 2018 (\$,000)	ACTUAL 30 JUNE 2017 (\$,000)
SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE			
INCOME			
Rates Revenue	25,327	25,622	24,683
Other Operating Revenue	17,259	14,637	17,020
<b>Total Operating Revenue</b>	<b>42,586</b>	<b>40,259</b>	<b>41,703</b>
EXPENDITURE			
Employee Benefits Expense	5,653	6,224	5,432
Depreciation	12,948	13,272	13,752
Other Expenditure	21,428	19,340	19,835
<b>Total Operating Expenditure</b>	<b>40,029</b>	<b>38,836</b>	<b>39,019</b>
<b>Operating Surplus</b>	<b>2,557</b>	<b>1,423</b>	<b>2,684</b>
Available for Sale Valuation Gain/(Loss)	-	-	5
Gain (loss) on PP&E Revaluation	-	-	(3,391)
Total Other Comprehensive R&E	-	-	(3,386)
<b>Total Comprehensive Revenue &amp; Expense for the year</b>	<b>2,557</b>	<b>1,423</b>	<b>(702)</b>
SUMMARY STATEMENT OF CHANGES IN NET ASSETS/EQUITY			
Equity at the beginning of the year	1,020,409	1,103,758	1,021,111
Total Other Comprehensive Revenue & Expense for the year	2,557	1,423	(702)
<b>Equity at the end of the year</b>	<b>1,022,966</b>	<b>1,105,181</b>	<b>1,020,409</b>

- We incurred investment fund manager fees of \$134k. Budget was zero.
- We paid Clutha Development Trust \$100k more than budgeted for additional project work.
- We had to pay additional Objective license fees of \$44k. Budget was zero.
- Our ETS liability was \$105k more than budget.

Refer to the Statement of Comprehensive Revenue & Expenditure and notes to the financial statements for further information.

## COUNCIL'S FINANCIAL POSITION

- Short term investments, included in current assets are higher than budgeted by \$13 million. This is due to the underspend on capital projects as well as the proceeds from the sale of the forestry assets in 2017 which were not budgeted.
- There is a \$97.6 million variance on the property, plant and equipment to the budget, which is a combination of 2017's lower than expected valuation by \$81.4 million and less assets built in 2018 than budgeted.
- Capital projects built were \$12 million below budget.
- Development property - 15 lots have been sold in Plantation Heights amounting to costs of \$1,050k.
- As the Rosebank Industrial project is expected to make a loss, the full development costs of \$1,576k have been expensed.
- Receivables and payments are \$1,921k higher than budget due to higher than usual NZTA claim at year end.
- Payables and deferred revenue are \$2,217 higher than budget due to higher than usual contract creditors at year end.

Refer to the Statement of Financial Position and notes to the financial statements for further information.

## CAPITAL EXPENDITURE

Capital projects built were \$12 million below budget:  
Water:

- \$500k. Lack of tenders for Milton upgrade.
- \$800k. Old Lake Road construction moved into 2019.

	ACTUAL 30 JUNE 2018	BUDGET 30 JUNE 2018	ACTUAL 30 JUNE 2017
	(\$,000)	(\$,000)	(\$,000)

### SUMMARY STATEMENT OF FINANCIAL POSITION

Current Assets	37,246	20,469	36,057
Non Current Assets	994,164	1,090,635	989,982
<b>Total Assets</b>	<b>1,031,410</b>	<b>1,111,104</b>	<b>1,026,039</b>
Current Liabilities	7,655	5,141	4,819
Non Current Liabilities	789	782	811
<b>Total Liabilities</b>	<b>8,444</b>	<b>5,923</b>	<b>5,630</b>
<b>Net Assets/Equity</b>	<b>1,022,966</b>	<b>1,105,181</b>	<b>1,020,409</b>

### SUMMARY STATEMENT OF CASHFLOWS

Net Cashflows from Operating activities	12,950	14,696	12,130
Net Cashflows from Investing activities	(13,047)	(14,620)	(11,240)
Net Cashflows from Financing activities	-	-	-
<b>Net Cashflows for the Year</b>	<b>(97)-</b>	<b>76</b>	<b>890</b>

- \$1 million. Pipeline work not done in winter.
- \$1 million. Treatment plants requiring more time for construction and design.
- \$800k. Switchboard tenders done late.

#### Wastewater:

- \$2.5 million. Delays in Milton and Waiholā due to consenting and design requirements.
- \$1 million. Desludging moved into 2019 due to contractor capacity constraints.

#### Stormwater:

- Project cost more than tendered.

#### Roading:

- Hina Hina and Katea bridge upgrades re-scoped after high tender prices received.
- \$800k. Delay in supply of street lighting due to supplier stock levels.

## HOW WE PERFORMED IN 2017/18

### RETURN ON INVESTMENTS

At the close of the 2017/18 year Council's investments rose to \$25.5 million, well above the \$14.6 million forecast for 2017/18 in the Long Term Plan. This is due to under expenditure on capital projects as well as unbudgeted proceeds from the sale of forestry assets.

(\$M)	2015/25 LONG TERM PLAN 2017/18	ACTUAL 2017/18
OPENING	14.3	22.9
CLOSING	14.6	25.5
CHANGE	0.3	2.6
BUDGETED RETURN (%)	4.50	11.4

### LIMITS ON INTERNAL DEBT

Council's internal limits set in the financial strategy were to ensure interest costs are less than 10% of our annual rates income, and that total internal debt per capita did not exceed \$1,800. The results of 4.2% and \$1,543 per capita are well within those limits in 2017/18.

	2015/25 LONG TERM PLAN 2017/18	ACTUAL 2017/18
INTERNAL DEBT (\$M)	30.1	26.5
DEBT PER CAPITA (\$)	1,722	1,543
INTEREST COSTS AS A % OF RATES	5.82	4.20

### LIMITS ON RATES AND RATE INCREASES

Rates are the most important source Council uses to fund services. The \$25.3 million collected in 2017/18 meant an increase on 2016/17 of 2.61%. This was below the 3.23% and \$26.1 million forecast for 2017/18 in the Long Term Plan.

Refer to the Statement of Comprehensive Revenue & Expense and notes to the financial statements for more information.

	2015/25 LONG TERM PLAN 2017/18	ACTUAL 2017/18
FORECAST RATES (\$M)	25.9	25.3
FORECAST RATES CHANGES (%)	3.23	2.61
RATES LIMIT AT 4% (\$M)	26.1	25.7

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF CLUTHA DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Clutha District Council (the District Council). The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte Limited, 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 18 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 51 to 122:
  - present fairly, in all material respects:
    - the District Council's financial position as at 30 June 2018;
    - 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 Reporting Standards;
- the funding impact statement on page 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 Long-Term Plan.
- the statement of service performance on pages 18 to 45:
  - 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;
    - 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; and

- the statement about capital expenditure for each group of activities on pages 21 to 45, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-Term Plan; and

## **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 124 to 132, 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 Long-Term 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 12, 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.

Other than the audit and our report on the disclosure requirements, we have no relationship with or interests in the District Council.

A handwritten signature in blue ink, reading "B E Tomkins".

B E Tomkins  
Deloitte Limited  
On behalf of the Auditor-General  
DUNEDIN, New Zealand



# STATEMENT OF SERVICE PERFORMANCE



# 2017/18 IN DETAIL

This section of the Annual Report includes detail about Council’s achievements and performance in 2017/18 (known as Statement of Service Performance). It also includes information about the main achievements in each of Council’s nine areas of work:

- COMMUNITY LEADERSHIP
- ROADING
- WATER SUPPLY
- SEWERAGE
- STORMWATER
- SOLID WASTE MANAGEMENT
- COMMUNITY SERVICES
- REGULATORY AND EMERGENCY SERVICES
- INTERNAL SERVICES

All of Council’s work aims to contribute towards our long term goals, referred to as Council Community Outcomes. How these link with Council’s services is outlined below.

For each of the nine areas of Council, we include the following:

- What we do for each area, and why we do it.
- How we performed and whether we met our performance targets.
- What it cost, whether we met budgets, and an explanation for variances.

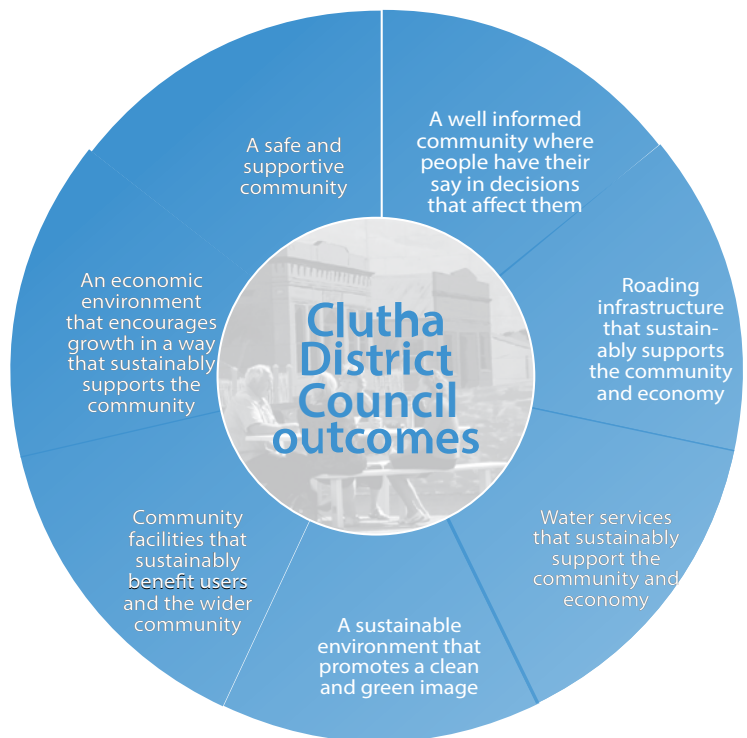
All performance measures were set in 2015 as part of the 2015/25 Long Term Plan. Performance is measured in a variety of ways, including independent annual surveys of Clutha District residents.

Reporting incorporates a traffic light system that provides a dashboard or signal for the results for the

year is as follows:

- target was met
- target was within 5% of being met
- target was not met

Overall 60% of targets were met, 8% were within 5% of being met, 32% were not met, and 0% have not yet started or been measured.



# COMMUNITY LEADERSHIP

Community Outcome: A well informed community where people have a say in the decisions that affect them

## WHAT WE DO

Clutha District Council comprises 14 councillors and the Mayor.

The 14 councillors represent eight wards - Balclutha, Bruce, Catlins, Clinton, Clutha Valley, Kaitangata-Matau, Lawrence-Tuapeka and West Otago.

Together the Councillors and Mayor provide leadership for the district by setting priorities and making decisions on the scope and levels of service for services and activities. Decision making is an important part of their role, including what Council will do, and how to pay for activities.

Mayor and Councillors oversee the performance of Council activities and assets to ensure the best operation, maintenance and use of community resources. Much of this work takes place in Council and Committee meetings. An important part of elected members role also includes representing their community, including communicating with residents, informing them of the reasons for Council decisions and advocating on their behalf.

This activity also includes the conduct of elections, by-elections and review of representation arrangements.

## COLLABORATION ACROSS COUNCILS

Council participates in relevant shared service arrangements via a memorandum of understanding with the other local authorities locally and nationally. There is better value obtained through those services than trying to undertake the work on our own. The following are examples of some of those collaborations.

## BUILDING CONTROL

Four southern territorial authorities continue to work closely together on building control matters in terms of both information sharing and staff exchanges to support each other at busy times.

The Shared Services Forum had requested a combined Building Control Shared Service between Southland District Council (SDC), Gore District Council (GDC) and Invercargill City Council (ICC) with Clutha District Council (CDC) also opting to participate in this initiative.

The development of a combined process and quality manual as well as shared regulation forms, which all five councils have adopted. The shared manual and forms standardise the consent processing methodology and quality assurance processes and has been the subject of a formal IANZ reaccreditation reviews with all four councils. IANZ have complimented the shared manual approach and have referred several other building consent authorities to seek a copy of the manual.

The subsequent step was consideration of a shared approach to building consent fees across the five councils, which is being considered as part of the Southland Regional Development Strategy Ease of Doing Business Action Team work. The investigation on the concept of standardised building consent fees has been progressed during 2017/18. Each of the councils will need to support a combined fee structure and it is expected that such a structure would be available for the 2019/20 year at the earliest.

## MAORI PARTICIPATION IN DECISION-MAKING/IWI LIAISON

The four Southland councils have continued to fund and support Te Ao Mārama Inc, the agency approved by Te Runanga o Ngāi Tahu to act on iwi liaison matters in Murihiku/ Southland under the Resource Management Act 1991 and the Local Government Act 2002. Since its inception, Queenstown Lakes District Council, Otago Regional Council and Clutha District Council have also joined supporting Te Ao Mārama Inc. The papatipu rūnanga and the participant councils continue to meet quarterly at the Te Roopū Taiao hui, which provides for excellent partnership and exchange of information. The key focus is to give these meetings more of a strategic focus and less focus on day to day operational/retrospective reporting back.

Council also acknowledges the local runanga, Waikoau Ngai Tahu South Otago Runanga, and liaises with them on matters that might be of relevance.

## HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18	
Provide effective leadership, representation and service to residents and ratepayers	Satisfaction with decision-making, leadership and planning of elected members (Council)	≥80%	84%	●
Monitor rates affordability and provide prudent, effective and efficient financial management	Rates per ratepayer as a percentage of median household income	≤4%	4%	● *
	Percentage movement in total rates income	≤4%	2.6%	●
	Internal debt per capita	≤\$1,800	\$1,543	●
	Percentage of rates income used to service internal debt	≤10%	4.2%	●

\* Also an Otago regional benchmarking measure

## OTAGO BENCHMARKING

As part of the Otago Region Triennial Agreement 2013-2016 Council joined with the other Otago councils in establishing a common benchmarking and performance measurement framework. The framework was agreed with the purpose of:

1. Providing communities with better context to assess the performance of their council across the region;
2. Enabling better support and collaboration to drive improvement across Otago;
3. Helping to drive standards for future local government reforms;
4. Providing consistent performance information that allows closer scrutiny of efficiency and effectiveness.

Seven key performance indicators were agreed for reporting. The 2017/18 results for Clutha District Council are as follows:

Percentage of budgeted capital works programme, including renewals, completed annually	52%
Percentage of ratepayers who are satisfied with overall Council performance	91%
Percentage of ratepayers who are satisfied with Council communications	97%
Percentage of residents and ratepayers who are satisfied with the quantity and quality of community facilities	84%
Percentage of building and resource consents issued within statutory times, and average building and resource consent processing days	100% + 18 days (resource) 100% + 11 days (building)
Rates per ratepayer as a percentage of median household income	4%
Cost of administrative and support services as a percentage of organisational running cost.	10.02%

# WHAT IT COST FOR COMMUNITY LEADERSHIP IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2017 LONG TERM PLAN	2018 LONG TERM PLAN	2018 ACTUAL
	\$(000)	\$(000)	\$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	991	1,000	1,039
Targeted rates (other than a targeted rate for water supply)	157	161	246
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total sources of operating funding</b>	<b>1,148</b>	<b>1,161</b>	<b>1,285</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(720)	(681)	(648)
Finance costs	(78)	(75)	(58)
Internal charges and overheads applied	(318)	(337)	(432)
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(1,116)</b>	<b>(1,093)</b>	<b>(1,138)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>32</b>	<b>68</b>	<b>147</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(41)	(44)	500 <sup>1</sup>
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>(41)</b>	<b>(44)</b>	<b>500</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	-	-
Capital expenditure to replace existing assets	-	-	-
(Increase) decrease in reserves	(7)	(7)	(647)
(Increase) decrease of investments	16	(17)	-
<b>Total applications of capital funding</b>	<b>9</b>	<b>(24)</b>	<b>(647)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(32)</b>	<b>(68)</b>	<b>(147)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Funding of pool liability was \$549k, less \$49k repayments of loans for Aquatic Centre and West Otago Health Trust.

# COMMUNITY LEADERSHIP

## ECONOMIC & COMMUNITY DEVELOPMENT

Community Outcome: An economic environment that encourages growth in a way that sustainably supports the community

### WHAT WE DO

Part of Council's leadership involves supporting the district's economy and communities through economic and community development functions.

The following functions and services are included in this activity group:

- Economic Development which involves leading and delivering activities that aim to support, sustain and grow the economy via the economic development agency Clutha Development Incorporated
- Destination marketing for the district, including being a Regional Tourism Organisation (RTO), provided under the umbrella of Clutha Development Incorporated.
- Community Development which involves providing support and facilitation for community-driven initiatives throughout the district.
- Youth development which involves part-funding the Clutha District Youth Development Programme.
- Providing coordination and support for the Clutha District Youth Council.
- Providing financial assistance through a range of community grants and funding schemes.

### HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18	
Support external organisations tasked with providing economic development services on Council's behalf	Percentage of contract specifications met as identified in the Economic Development Strategy and related contracts	100%	100%	●
Support the district's communities and economy through community development facilitation and support	Percentage of annual work programme completed as identified in the Living and Working Strategy and related Action Plan	100%	100%	●

# WHAT IT COST FOR ECONOMIC AND COMMUNITY DEVELOPMENT IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2017 LONG TERM PLAN	2018 LONG TERM PLAN	2018 ACTUAL
	\$(000)	\$(000)	\$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	1,255	1,284	1,337
Targeted rates (other than targeted rates for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total sources of operating funding</b>	<b>1,255</b>	<b>1,284</b>	<b>1,337</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(1,151)	(1,176)	(1,218)
Finance costs	(11)	(10)	(12)
Internal charges and overheads applied	(75)	(79)	(99)
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(1,237)</b>	<b>(1,265)</b>	<b>(1,329)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>18</b>	<b>19</b>	<b>8</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt (Internal debt))	(18)	(19)	(8)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>(18)</b>	<b>(19)</b>	<b>(8)</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	-	-
Capital expenditure to replace existing assets	-	-	-
(Increase) decrease in reserves	-	-	-
(Increase) decrease of investments	-	-	-
<b>Total applications of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(18)</b>	<b>(19)</b>	<b>(8)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

# ROADS & FOOTPATHS











Community Outcome: Roding infrastructure that sustainably supports the community and economy

## WHAT WE DO



With a total roading network of 2,917 km, the Clutha District Council has the third largest local roading network in New Zealand. Of the 2,917km, 28% (826km) is sealed and 72% (2091km) is unsealed. It supports a resident population of around 16,890 people. Rural roads make up 95% of our network and form an important part of the export supply chain with the main land uses in the district being dairy, pastoral farming, forestry and horticulture. There are also key tourist routes through the district.

The roading assets administered by Council include more than just roads. There are also footpaths, bridges, streetlights and other assets associated with transportation. The total replacement cost for Council's roading assets is \$858.5 million.

## HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18	
Provide an effective and sustainable local roading network	Residents satisfied with maintenance of unsealed road	≥52%	53%	
	Residents satisfied with maintenance of sealed roads	≥74%	78%	
	Average quality of ride on the urban sealed road network (as per smooth travel exposure)	91%	86%	
	Average quality of ride on the rural sealed road network (as per smooth travel exposure)	99%	98%	
	Average quality of ride on the sealed road network (as per smooth travel exposure)	97%	96%	
	Percentage of the sealed local network that is resurfaced	6.9%	7%	
	% of customer service for roads and footpaths responded to within timeframes	≥90%	65%	 <sup>1</sup>
Monitor safety and invest in improving the local roading network	Average speed residents feel they can safely travel at on sealed roads (km per hr)	80-90	94.2	
	Average speed residents feel they can safely travel at on unsealed roads (km per hr)	60-70	67.3	
	Number of fatalities and serious injury crashes	≤10	12	 <sup>2</sup>



WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18	
<b>FOOTPATHS</b>				
Provide an effective and sustainable network of footpaths throughout the district	% footpaths that fall within level of service condition standards $\geq 3$	95.5%	89%	
	Residents satisfied with footpaths	$\geq 74\%$	64%	

<sup>1</sup> This variance is driven by three factors. Firstly, as part of the ERP project, a new Customer Service Management system was installed and went live 1 July 2017. Staff were not confident with the system at first and workflows were still being established. Secondly, there was a change in contractor on the Roading Contract on 1 July 2017. Thirdly, the new contract started off with a major flood event in July 2017 which stretched resources for several months.

<sup>2</sup> We encountered two fatal crashes in 2017/18 where we had none in 2016/17. Serious Injuries are the same at 10.

<sup>3</sup> Results for both footpath condition and resident satisfaction are a consequence of (or reflect) delays in carrying out footpath renewal work.

# WHAT IT COST FOR ROADS AND FOOTPATHS IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2017 LONG TERM PLAN	2018 LONG TERM PLAN	2018 ACTUAL
	\$(000)	\$(000)	\$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	7,955	8,269	7,840
Subsidies and grants for operating purposes	3,083	3,123	4,277
Fees, charges and targeted rates for water supply	94	97	135
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total sources of operating funding</b>	<b>11,132</b>	<b>11,489</b>	<b>12,252</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(5,834)	(5,919)	(7,760)
Finance costs	(483)	(478)	(301)
Internal charges and overheads applied	(1,779)	(1,853)	(1,356)
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(8,096)</b>	<b>(8,250)</b>	<b>(9,417)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>3,036</b>	<b>3,239</b>	<b>2,835</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	4,956	4,520	5,051
Development and financial contributions	-	-	-
Increase (decrease) in debt	(290)	(305)	(304)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>4,666</b>	<b>4,215</b>	<b>4,747</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	(699)	(872)	(1,370)
Capital expenditure to replace existing assets	(7,098)	(6,593)	(7,096)
(Increase) decrease in reserves	5	(9)	884
(Increase) decrease of investments	90	20	-
<b>Total applications of capital funding</b>	<b>(7,702)</b>	<b>(7,454)</b>	<b>(7,582)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(3,036)</b>	<b>(3,239)</b>	<b>(2,835)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

# WATER SUPPLY

Community Outcome: Water services that sustainably supports the community and economy

## WHAT WE DO

Council supplies water via a number of urban and rural water supply schemes, with approximately a third of the water produced being for domestic consumption and the balance being largely used for stock water. Council's water supplies include:

Six urban water supplies servicing Balclutha, Kaitangata, Lawrence, Milton, Owaka and Tapanui. With the exception of Owaka, which is a restricted supply, they provide an on demand supply of potable water for domestic, commercial and industrial use within each scheme area.

11 rural water schemes which primarily provide drinking water for stock. These are Balmoral 1, Balmoral 2, Clydevale-Pomahaka, Glenkenich, Moa Flat, North Bruce, Richardson, South Bruce, Tuapeka, Waipahi and Wangaloa. All schemes other than Waipahi also provide water for domestic consumption.

Nine smaller communities and townships are provided water in bulk from rural water schemes. These townships are Clinton (Clydevale-Pomahaka), Kaka Point (Richardson), Waiholā (North Bruce), Benhar (South Bruce/Stirling Treatment Plant), and Stirling (South Bruce/Stirling Treatment Plant). Most of these communities have restricted supplies to consumers, except for Benhar and Stirling which are both on-demand scheme and Stirling is also universally metered.

# HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18		
<b>URBAN WATER</b>					
Urban supplies provide a continuous and reliable source of water to consumers	Customer satisfaction with taste and clarity	≥60%	75%	●	
	Customer satisfaction with the reliability of their water supply (on an on-demand supply)	>75%	90%	●	
	Customer satisfaction with the reliability of their water supply (on a restricted supply)	>65%	67%	●	
	Number of drinking water complaints (Requests for Service) per 1000 connections about:	Clarity	≤20	32	● <sup>1</sup>
		Taste	≤5	6	● <sup>1</sup>
		Odour	≤2	1	● <sup>1</sup>
		Pressure	≤8	10	● <sup>1</sup>
		Continuity	≤35	25	● <sup>1</sup>
	Council's response to any of these issues	≤5	15	● <sup>1</sup>	
	Average consumption of drinking water per resident per day (litres per day)*	≤550	590	● <sup>1</sup>	
Urban water schemes are managed effectively and efficiently	Median response time (in hours) from notification of fault or unplanned interruption to when personnel reach the site:	Urgent	≤0.5	0.7	● <sup>1</sup>
		Non-urgent	≤2	4.1	● <sup>1</sup>
	Median response time (in hours) from notification of fault or unplanned interruption to when personnel confirm resolution:	Urgent	≤2	2.9	● <sup>1</sup>
		Non-urgent	≤6	18.2	● <sup>1</sup>
Percentage of real water loss from Council's reticulation system	≤18%	31%	● <sup>2</sup>		
Water from Council urban supplies is safe to drink	Compliance with the NZDW Standards for bacteriological compliance	100%	100%	●	
	Compliance with the NZDW Standards protozoal compliance	60%	0%	● <sup>3</sup>	

<sup>1</sup> The main reason for the variance was due to organic matter being dislodged after reacting with low ph. readings from the Milton plant. In an effort to isolate the problem the public were asked to provide information which resulted in the unusual number of complaints being recorded.

<sup>2</sup> A thorough review has been undertaken reflecting challenges in assessing unmetered water use. As a result of the findings a more detailed Water Loss Strategy is being worked on.

<sup>3</sup> Of the five treatment plants the following results were achieved 0%, 0%, 0%, 50% and 75%. Upgrades to the plants have been planned over the next three years to help achieve compliance.

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18		
Rural schemes provide a continuous and reliable source of water to consumers	Customer satisfaction with the reliability of their water supply	≥65%	87%	●	
	Customer satisfaction with taste and clarity	≥60%	51%	● <sup>1</sup>	
	Number of drinking water complaints (Requests for Service) per 1000 connections about*:	Clarity	≤12	8.1	●
		Taste	≤5	2.2	●
		Odour	≤3	2.2	●
		Pressure	≤200	178	●
		Continuity	≤200	431	● <sup>2</sup>
Council's response to any of these issues		5	104	● <sup>2</sup>	
Rural schemes are managed effectively and efficiently	Median response time (in hours) from notification of fault or unplanned interruption to when personnel reach the site:	Urgent	<2	1.7	●
		Non-urgent	<4	6.2	● <sup>3</sup>
	Median response time (in hours) from notification of fault or unplanned interruption to when personnel confirm resolution:	Urgent	<12	16	● <sup>3</sup>
		Non-urgent	<24	20	●
Water from Council rural supplies is safe to drink	Compliance with the NZDW Standards for bacteriological compliance	100%	83%	● <sup>4</sup>	
	Compliance with the NZDW Standards protozoal compliance	10%	0%	● <sup>5</sup>	

<sup>1</sup> A lot of the rural schemes struggle with the quality of source water which makes the treatment options quite complex. To help with handling these complexities, treatment upgrades have been planned for the next 3 years.

<sup>2</sup> Over summer a number of plants did not have enough water so rationing was imposed.

<sup>3</sup> Demand during summer was hard to keep up with.

<sup>4</sup> Compliance was affected by 3 failures in Tuapeka West, Richardson North and Balmoral 1 when positive E.coli was discovered. Corrective action was carried out accordingly.

<sup>5</sup> Treatment plant upgrades have not yet been carried out to meet the targeted 10% mainly as the water scheme owners use 95% of the water produced for stock. No measurement was undertaken as upgrades to the plant are planned over the next 3 years to be able to achieve compliance.

# WHAT IT COST FOR WATER IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2017 LONG TERM PLAN	2018 LONG TERM PLAN	2018 ACTUAL
	\$(000)	\$(000)	\$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rated for water supply)	6,685	6,842	6,742
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	134	136	546 <sup>1</sup>
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total sources of operating funding</b>	<b>6,819</b>	<b>6,978</b>	<b>7,288</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(4,054)	(4,185)	(4,830)
Finance costs	(269)	(312)	(218)
Internal charges and overheads applied	(687)	(711)	(866)
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(5,010)</b>	<b>(5,208)</b>	<b>(5,914)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>1,809</b>	<b>1,770</b>	<b>1,374</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	826	1,419	(249)
Gross proceeds from sale of assets	-	-	435
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>826</b>	<b>1,419</b>	<b>186</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	(483)
Capital expenditure to improve the level of service	(1,718)	(1,390)	(1,502) <sup>2</sup>
Capital expenditure to replace existing assets	(1,829)	(1,870)	(2,205) <sup>2</sup>
(Increase) decrease in reserves	(69)	(16)	2,630
(Increase) decrease of investments	981	87	-
<b>Total applications of capital funding</b>	<b>(2,635)</b>	<b>(3,189)</b>	<b>(1,560)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(1,809)</b>	<b>(1,770)</b>	<b>(1,374)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Out of District water charges were included in LTP rates income.

<sup>2</sup> Variances due to deferral of urban and rural water treatment plant upgrades. Funds have been carried forward

# SEWERAGE

## WHAT WE DO

Council collects, treats and disposes of domestic sewage and non-domestic liquid (tradewaste) discharges via 11 public sewerage schemes. These schemes service the townships of Balclutha, Clinton, Heriot, Kaitangata, Kaka Point, Lawrence, Milton, Owaka, Stirling, Tapanui and Waihola. Extensions to the Balclutha and Milton schemes have been completed to serve the townships of Benhar and Tokoiti respectively. There is also a piped collection system for Pounaweia, connected to the Owaka treatment plant that will service properties, if they wish to connect. For new properties in Pounaweia, or significant changes to existing properties compulsory connection to this system is required under the Building Act.

## HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18		
Provide sewerage services that effectively collect and dispose of sewage	Number of dry weather sewerage overflows expressed per 1,000 sewerage connections to that sewerage system	≤6	4.3	●	
	Resident satisfaction of sewerage services	≥85%	96%	●	
Sewerage schemes are managed efficiently and effectively	Reach the site (response)	<1 hour	0.2	●	
	Median response time (in hours) from notification of fault to when personnel:	Confirm resolution of the blockage or other fault	<4 hours	2	●
	Number of complaints per 1,000 connections about any of the following:	Sewage odour	<3	1.2	●
		Sewerage system faults	<10	5.7	●
		Sewerage system blockages	<5	3.2	●
		Council's response to any of these issues	<5	0.8	●
Compliance with Council's resource consents for sewerage discharge, measured as number of:	Abatement notices	0	0	●	
	Infringement notices	0	0	●	
	Enforcement orders	0	0	●	
	Convictions	0	1	● <sup>1</sup>	

<sup>1</sup> A blockage in a sewer main caused a spill into the Clutha River which caused Otago Regional Council to prosecute.

# WHAT IT COST FOR SEWERAGE IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2017 LONG TERM PLAN	2018 LONG TERM PLAN	2018 ACTUAL
	\$(000)	\$(000)	\$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	2,034	2,098	2,029
Subsidies and grants for operating purposes	-	-	-
Fees & charges and targeted rates for water supply	136	136	196
Internal charges and overheads recovered	92	157	-
Fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total sources of operating funding</b>	<b>2,262</b>	<b>2,391</b>	<b>2,225</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(859)	(949)	(1,018)
Finance costs	(179)	(172)	(103)
Internal charges and overheads applied	(312)	(323)	(399)
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(1,350)</b>	<b>(1,444)</b>	<b>(1,520)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>912</b>	<b>947</b>	<b>705</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(136)	(78)	85
Gross proceeds from sale of assets	-	-	125
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>(136)</b>	<b>(78)</b>	<b>210</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	(702)
Capital expenditure to improve the level of service	(104)	(802)	(1,733) <sup>1</sup>
Capital expenditure to replace existing assets	(239)	(74)	(727) <sup>1</sup>
(Increase) decrease in reserves	7	2	2,247
(Increase) decrease of investments	(440)	5	-
<b>Total applications of capital funding</b>	<b>(776)</b>	<b>(869)</b>	<b>(915)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(912)</b>	<b>(947)</b>	<b>(705)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> This result reflects timing for three major upgrades. The budget for these upgrades was included in the 2015/16 year as part of the 2015/25 Long Term Plan. One upgrade has been deferred as a new resource consent has not yet been granted for that plant. The preferred tender and contract for the other two plants had been negotiated during 2015/16 and 2016/17, but the tenderer did not meet required performance targets in 2016/17. Consequently, a contract was negotiated with a different party so construction did not commence until 2017/18 and will continue in 2018/19.



# STORMWATER

## WHAT WE DO

Clutha District has many diverse and widespread townships and settlements. All of them bring their own specific demands, including how we collect and dispose of stormwater run-off.

Council currently provides for the drainage of stormwater via eight community stormwater drainage schemes in Balclutha, Clinton, Kaitangata, Kaka Point, Lawrence, Milton, Owaka and Tapanui. These systems manage the disposal of surface water and ground water flows to protect property and public health. Generally, piped systems are designed to cope with stormwater flows resulting from a heavy rainfall such as a 1 in 5 year or 1 in 10 year event (20% or 10% probability of happening annually). However, when assessing and designing new systems consideration is given to how flows from much larger events can be handled within the catchment i.e. overland flow paths, flood channels, diversions.

A number of other smaller communities also have stormwater infrastructure such as minimal pipe systems, open ditches and drains. These include Heriot, Pounaweia, Taieri Mouth, Stirling and Waihola. These are communities that have previously been included in a general rural stormwater area, however they have only paid a very small amount towards this in their rates. In all of these areas, stormwater improvements are needed and systems are in place that have ongoing operational costs. Their inclusion as part of a district wide urban stormwater funding mechanism allows for stormwater issues in urban areas to be dealt with in a co-ordinated and consistent way.

All other rural stormwater issues are generally associated with roading and as such are funded as a roading activity.

## HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18		
To provide stormwater drainage that protects against the effects of flooding in reticulated areas	Flooding events to habitable floors due to over flows from a Council stormwater system (per 1,000 connected properties)	0	6	● <sup>1</sup>	
	Residents satisfaction with their stormwater protection	≥75%	71%	● <sup>1</sup>	
	Number of flooding events (overflow from stormwater system)	<23	20	●	
	Number of complaints about performance of stormwater systems (per 1,000 connected properties)	≤12	0.6	●	
Stormwater schemes are managed efficiently and effectively	Median response time from notification of fault to when personnel reach the site	<1	3.1	●	
	Compliance with Council's resource consents for sewerage discharge, measured as number of:	Abatement notices	0	0	●
		Infringement notices	0	0	●
		Enforcement orders	0	0	●
		Successful prosecutions received	0	0	●

<sup>1</sup> Milton flooding in Ajax, Gray and Johnston Streets during July 2017 event.

# WHAT IT COST FOR STORMWATER IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2017 LONG TERM PLAN	2018 LONG TERM PLAN	2018 ACTUAL
	\$(000)	\$(000)	\$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	565	589	615
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total sources of operating funding</b>	<b>565</b>	<b>589</b>	<b>615</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(93)	(97)	(116)
Finance costs	(22)	(20)	(16)
Internal charges and overheads applied	(199)	(206)	(254)
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(314)</b>	<b>(323)</b>	<b>(386)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>251</b>	<b>266</b>	<b>229</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(30)	(32)	(31)
Gross proceeds from sale of assets	-	-	14
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>(30)</b>	<b>(32)</b>	<b>(17)</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	(288) <sup>1</sup>
Capital expenditure to improve the level of service	(26)	(32)	(198) <sup>1</sup>
Capital expenditure to replace existing assets	(171)	(106)	(201) <sup>1</sup>
(Increase) decrease in reserves	6	(1)	475
(Increase) decrease of investments	(30)	(95)	-
<b>Total applications of capital funding</b>	<b>(221)</b>	<b>(234)</b>	<b>(212)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(251)</b>	<b>(266)</b>	<b>(229)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> A number of projects previously budgeted in 2016/17 were undertaken in the 2017/18 year but at a higher than budgeted cost.

# SOLID WASTE






Community Outcome: A sustainable environment that promotes a clean green image

## WHAT WE DO

Council oversees the management and minimisation of solid waste within the district. These activities include:

- Operating a sanitary landfill and recycling drop-off depot for the district at Mt Cooee on the outskirts of Balclutha.
- Providing a fortnightly collection of recyclables and residual household waste via kerbside wheelie bins in urban areas. The service is also available to individual rural households along service routes. Collection alternates weekly between collection of recyclables and collection of residual waste.
- Providing transfer stations in Clinton, Clydevale, Lawrence, Milton, Owaka, Tapanui and Taieri Mouth.
- Providing coin-operated “Jack Trash” bin at Papatowai.
- Providing skip services at Beaumont and MacLennan that are collected on an as-needed basis.
- Monitoring and maintaining 19 closed tip sites throughout the district.
- Provide waste minimisation information and education services, including facilitating the Enviroschools programme at schools throughout the district.

## HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18	
Provide a kerbside refuse and recycling collection service to townships and along service routes	Resident satisfaction with the wheelie bin service	>80%	92%	
Provide waste minimisation education	% of schools that take part in the Enviroschools programme	40%	36%	 <sup>1</sup>
Provide a facility in the district for the disposal of solid waste	Resident satisfaction with Mt Cooee landfill	≥72%	89%	
	Tonnes of waste to Mt Cooee landfill	<7,932	8,965	 <sup>2</sup>
	Tonnes of waste diverted from Mt Cooee Landfill	>748	567	 <sup>3</sup>

<sup>1</sup> The current allocated human resource does not allow effective facilitation of the Enviroschools programme or to increase participation. We currently have 9 out of 25 schools engaged at varying levels of engagement from registered to fully embedded. The measure of participation needs to be combined with the level of engagement to get a meaningful indication of effectiveness.

<sup>2</sup> Work done on solid waste analysis as well as installing new LF3000 software has provided a more accurate base to interpret our data including separating domestic and commercial waste. This analysis has also informed our Waste Minimisation Management Plan for the next 6 years which has been selected in the next LTP. Last year the tonnage excluding clean fill was 8,616.

<sup>3</sup> 2017 had 625 tonnes diverted.

# WHAT IT COST FOR SOLID WASTE IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2017 LONG TERM PLAN	2018 LONG TERM PLAN	2018 ACTUAL
	\$(000)	\$(000)	\$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	66	68	66
Targeted rates (other than targeted rate for water supply)	734	753	699
Subsidies and grants for operating purposes	66	68	73
Fees, charges and targeted rates for water supply	655	671	655
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total sources of operating funding</b>	<b>1,521</b>	<b>1,560</b>	<b>1,493</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(1,131)	(1,160)	(1,187)
Finance costs	-	-	-
Internal charges and overheads applied	(294)	(308)	(211)
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(1,425)</b>	<b>(1,468)</b>	<b>(1,398)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>96</b>	<b>92</b>	<b>95</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	-	-
Capital expenditure to replace existing assets	(24)	(24)	-
(Increase) decrease in reserves	(31)	(26)	(95)
(Increase) decrease of investments	(41)	(42)	-
<b>Total applications of capital funding</b>	<b>(96)</b>	<b>(92)</b>	<b>(95)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(96)</b>	<b>(92)</b>	<b>(95)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

# COMMUNITY SERVICES

Community Outcome: Community facilities that sustainably benefit users and the wider community

## WHAT WE DO

Council provides various community facilities and services throughout the district. Financial and non-financial assistance is also provided to external organisations that provide community services. Activities include:

### LIBRARIES, INFORMATION AND SERVICE CENTRES

This involves:

- A district library network consisting of a central library in Balclutha, four branch libraries in Lawrence, Milton, Owaka and Tapanui.
- Service centres, which provide a local link to Council services, are located in Balclutha, Lawrence, Milton, and Tapanui (Lawrence, Milton and Tapanui also incorporate a branch of the Clutha District library network).
- An “i-Site” service at the Balclutha Service Centre, which handles nationwide bookings for tourists and locals.
- An information centre at Owaka which provides tourist information and also incorporates a branch of the Clutha District library network.

### SWIMMING POOLS

This involves:

- Owning and operating year round, a pool in Balclutha and seasonal (summer) pool in Milton.
- Making grants available to various school- and community-based pools located throughout the district.

### PARKS, RESERVES, PLAYGROUNDS & SPORTSGROUNDS

This involves:

- Providing and maintaining 86 hectares of parks and reserves throughout the district, including 18 playgrounds and four sportsgrounds.
- Providing financial assistance for a further 19 hectares of reserves and sportsgrounds that are managed by local committees and sports groups.

### HALLS & COMMUNITY CENTRES

This involves:

- Maintaining and operating halls in Balclutha and Kaitangata.
- Providing management oversight and financial assistance for 11 committees which operate community centres throughout the district on Council’s behalf. These are at Clutha Valley, Hillend, Kaka Point, Lovells Flat, Moneymore, Owaka, Paretai, Waiholā, Waipahi, Waitahuna and Waiwera.
- Providing financial assistance to various other halls and centres, which are owned and operated by their communities. These are at Beaumont, Clinton, Crookston, Dunrobin, Heriot, Hina Hina, Milton, Lawrence, Romahapa, Tahakopa, Taieri Mouth, Tuapeka Mouth, Tuapeka West, Waikoikoi and Tapanui.

## PUBLIC CONVENIENCES

This involves:

- Providing and maintaining 24 public toilets throughout the district (located in the Balclutha, Clinton, Jack's Bay, Kaitangata, Kaka Point, Lawrence, Milton, Owaka, Pounaweia, Tapanui, Taieri Mouth and Waihola areas).
- Providing and maintaining 5 public motor caravan dump stations in Clinton, Lawrence, Milton, Owaka and Tapanui.

## CEMETERIES

This involves:

- Directly operating and maintaining six urban cemeteries - Balclutha (2), Fairfax (Milton), Kaitangata, Lawrence and Tapanui, and eight rural cemeteries - Port Molyneux, Romahapa, Taieri Beach, Waihola, Waikoikoi, Waipahi, Waipori, and Waitahuna.
- Providing financial assistance to a further four cemeteries that are managed by trustees (Clinton, Crookston, Owaka, Tuapeka).
- Providing financial assistance towards the maintenance of war memorials throughout the district.

## COMMUNITY HOUSING & OTHER PROPERTY

This involves:

- Owning and maintaining 98 one bedroom housing units located in Balclutha, Clinton, Kaitangata, Lawrence, Milton, Owaka, Tapanui and Waihola.
- Other property is owned and maintained by Council for storage of materials and equipment.
- Property which is retained for renting and leasing at market rates with the income used to offset rates.
- Provision of five camping grounds at Kaka Point, Naish Park in Balclutha, Pounaweia, Taylor Park in Milton and Waihola.

## CROSS RECREATION CENTRE

This involves:

- Funding of a \$2.5 million loan towards the cost of constructing the multi-use Cross Recreation Centre in Balclutha and providing an annual operating grant.

## HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18	
Operate accessible and affordable library services via branches in Balclutha, Lawrence, Milton, Owaka and Tapanui	Resident satisfaction with libraries	>90%	100%	●
Provide accessible and affordable Council service centres in Balclutha, Lawrence, Milton and Tapanui	Resident satisfaction with service centres	>90%	96%	●
Provide Council-run information services in Balclutha, Owaka and Tapanui, along with community-contracted information services in Lawrence and Milton	Satisfaction with services, as assessed by mystery shopper survey	>90%	93%	●
Operate a safe, accessible and affordable district pool in Balclutha and Milton.	Number of swims	53,000	56,059	● <sup>1</sup>
	Resident satisfaction with pools overall	>60%	80%	●
Provide and maintain parks, reserves, sports-grounds and playgrounds throughout the district	Resident satisfaction with parks and reserves	>85%	96%	●
	Resident satisfaction with playgrounds	>85%	95%	●
	Resident satisfaction with sportsgrounds	>80%	98%	●
Directly operate and maintain the Balclutha War Memorial Hall, and help communities provide halls and centres in their respective communities	Resident satisfaction with halls and community centres	>85%	90%	●
Provide and maintain public toilets throughout the district	Resident satisfaction with public toilets	>60%	64%	●
Operate and maintain six urban & eight rural cemeteries throughout the district	Resident satisfaction with cemeteries	>85%	93%	●
Provide and maintain community housing units throughout the district	Occupancy of community housing units	>85%	88%	●

<sup>1</sup> Balclutha 43,618 and Milton 12,441.

# WHAT IT COST FOR COMMUNITY SERVICES IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2017 LONG TERM PLAN	2018 LONG TERM PLAN	2018 ACTUAL
	\$(000)	\$(000)	\$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	2,319	2,389	2,594
Targeted rates (other than a targeted rate for water supply)	1,374	1,418	1,639
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	1,333	1,272	1,279
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total sources of operating funding</b>	<b>5,026</b>	<b>5,079</b>	<b>5,512</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(3,392)	(3,475)	(3,708)
Finance costs	(349)	(346)	(316)
Internal charges and overheads applied	(727)	(761)	(751)
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(4,468)</b>	<b>(4,582)</b>	<b>(4,775)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>558</b>	<b>497</b>	<b>737</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(53)	(105)	458 <sup>1</sup>
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>(53)</b>	<b>(105)</b>	<b>458</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	(105)	(14)	-
Capital expenditure to replace existing assets	(496)	(388)	(382)
(Increase) decrease in reserves	117	120	(813)
(Increase) decrease of investments	(21)	(110)	-
<b>Total applications of capital funding</b>	<b>(505)</b>	<b>(392)</b>	<b>(1,195)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(558)</b>	<b>(497)</b>	<b>(737)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Asset additions relating to pool of \$674k, less repayments of other loans of \$216k.



# REGULATORY & EMERGENCY SERVICES

Community Outcome: A safe and supportive community

## WHAT WE DO

### PROPERTY FILE RECORDS MANAGEMENT

This involves:

- Providing Land Information Memoranda in accordance with the requirements of the Local Government Official Information and Meetings Act 1987.
- Keeping property files up to date and available for public inquiries.

### RESOURCE MANAGEMENT

This involves:

- Providing advice on planning matters to prospective applicants, affected neighbours and other agencies.
- Promoting the sustainable management of natural and physical resources in the Clutha District via the District Plan.
- Processing resource consent applications (for land use and subdivision). Approximately 60-70 resource consents are processed annually.
- Carrying out monitoring, enforcement and prosecution when necessary.

### BUILDING CONTROL

This involves:











- Providing advice and administering the Building Act 2004, including checking that building complies with the New Zealand Building Code.
- Processing applications for Project Information Memoranda (PIMS) and Building Consents, including on-site inspections at the building stage, and issuing code compliance certificates upon completion. Council processes around 500-600 building consents annually.
- Issuing building warrants of fitness and compliance schedules.
- Investigating complaints related to unauthorised building work.

### ENVIRONMENTAL HEALTH

This involves:

- Registering and inspecting/auditing premises that prepare or sell food. Approximately 130 premises are currently inspected on a risk-rating frequency of 12 to 24 months. This is transitioning to the use of Food Control Plans by premises prior to them becoming mandatory in 2016.
- Registering and inspecting other controlled premises, such as hairdressers, offensive trades, funeral parlours and camping grounds.
- Promoting safe health practices through seminars and newsletters.
- Responding to noise complaints. Approximately 80 noise complaints are responded to annually.

## HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18		
To provide a consents service where consents are processed within statutory time frames in an efficient manner	Non-notified resource consents processed within 20 days (statutory time frame)	100%	99%		1
	Average number of processing days	≤15	18		2
Animal control incidents are responded to in a prompt and efficient manner	% incidents investigated within 48 hours	100%	77%		3
To provide a liquor licensing service where licenses are processed within statutory timeframes in an efficient manner	Unopposed liquor licenses and certificate renewals processed within 20 working days	100%	92%		4
To provide a building consents service where consents are processed within statutory timeframes in an efficient manner	Building consents and project information memoranda processed within 20 working days	100%	99%		1
	Average number of processing days	≤12	11		
That the Clutha District Council(CDC) remains a Building Consent Authority	CDC maintains its processes so that it meets BCA accreditation status every two years	maintain	maintained		5
Encourage and promote residents to be prepared for a Civil Defence emergency	Number of communities who have a community response plan	>4	4		6
Maintain a core set of identified and trained individuals to provide a network of Civil Defence personnel	Number of personnel trained in CIMS and EOC roles	>40	81		7
To achieve a satisfactory capability assessment under the Ministry of Civil Defence Emergency Management (MCDEM) framework	Capability assessment score under the MCDEM framework	73%	61%		8

<sup>1</sup> This equates to 3 consents running over time.

<sup>2</sup> Higher workloads have pushed processing days out.

<sup>3</sup> Initially some requests took longer to resolve as we learnt the new system and some complaints further from the office were programmed to be done during the weekly cycle of visiting these locations.

<sup>4</sup> Decisions from District Licensing Committee sometimes took longer to be received back for issuing.

<sup>5</sup> An IANZ audit was undertaken in April with CDC retaining accreditation. CDC actively works with the Southern Cluster Group to maintain a joint quality assurance manual.

<sup>6</sup> Clutha Valley, New Haven, Kaka Point and Pounaweia.

<sup>7</sup> An additional 34 individuals have been trained this year.

<sup>8</sup> This rating is undertaken every 5 years and is being phased out due to the subjective nature of some self assessment aspects. The cause for the lower score was due to lack of documentation with respect the recovery phase of our Civil Defence planning and the need for more organisational resilience. This lower score was a regional wide weakness and is being addressed.

# WHAT IT COST FOR REGULATORY & EMERGENCY SERVICES IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2017 LONG TERM PLAN	2018 LONG TERM PLAN	2018 ACTUAL
<b>SOURCES OF OPERATING FUNDING</b>	<b>\$(000)</b>	<b>\$(000)</b>	<b>\$(000)</b>
General rates, UAGC's, rates penalties	379	398	244
Targeted rates (other than a targeted rate for water supply)	865	905	528
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	780	798	1,016
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total sources of operating funding</b>	<b>2,024</b>	<b>2,101</b>	<b>1,788</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(1,483)	(1,322)	(870)
Finance costs	(15)	(23)	(10)
Internal charges and overheads applied	(689)	(720)	(809)
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(2,187)</b>	<b>(2,065)</b>	<b>(1,689)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>(163)</b>	<b>36</b>	<b>99</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	158	(36)	(17)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>158</b>	<b>(36)</b>	<b>(17)</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	-	-
Capital expenditure to replace existing assets	-	-	-
(Increase) decrease in reserves	21	16	(82)
(Increase) decrease of investments	(16)	(16)	-
<b>Total applications of capital funding</b>	<b>5</b>	<b>-</b>	<b>(82)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>163</b>	<b>(36)</b>	<b>(99)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>




<sup>1</sup> Activity has been up in 2018 which has translated into additional fees.

# INTERNAL SERVICES

## WHAT WE DO

Several internal services support our significant activities in delivering services to our communities. These include corporate management, human resources, policy and communications, district assets operations, regulatory operations, forestry, treasury, information services, geographic information systems (GIS) and the running and maintenance of our main office in Balclutha.

## HOW WE PERFORMED IN 2017/18

WHAT WE'VE BEEN WORKING TOWARDS (LEVEL OF SERVICE)	HOW WE'LL MEASURE PROGRESS	TARGET 2017/18	ACTUAL 2017/18		
We handle customer requests for service efficiently and effectively	Percentage of service requests resolved within timeframes	90%	73%		1
	Percentage of customers satisfied with response time for service requests	>85%	56%		2
	Percentage of ratepayers satisfied with advice and helpfulness of Council staff	75%	84%		3

<sup>1</sup> Main areas where more time taken than estimated is in water and roading.

<sup>2</sup> The trend is improving from 51% and is specifically being addressed by informing customers within urgent and non-urgent targets for contact.

<sup>2</sup> The trend is improving from 81% and is specifically being addressed by focussing on understanding the customer and communicating better.

# WHAT IT COST FOR INTERNAL SERVICES IN 2017/18

## FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2016 LONG TERM PLAN	2017 LONG TERM PLAN	2017 ACTUAL
	\$(000)	\$(000)	\$(000)
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, UAGC's, rates penalties	305	332	473
Targeted rates (other than a targeted rate for water supply)	-	-	88
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	374	384	82
Internal charges and overheads recovered	4,616	4,824	5,177
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	203
<b>Total sources of operating funding</b>	<b>5,295</b>	<b>5,540</b>	<b>6,023</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	(4,570)	(4,781)	(7,147) <sup>1</sup>
Finance costs	(57)	(70)	(7)
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>(4,627)</b>	<b>(4,851)</b>	<b>(7,154)</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>668</b>	<b>689</b>	<b>(1,131)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	214	214	(9)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>214</b>	<b>214</b>	<b>(9)</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	(256)	(262)	-
Capital expenditure to replace existing assets	(342)	(72)	(272) <sup>2</sup>
(Increase) decrease in reserves	(381)	(386)	3,912
(Increase) decrease of investments	97	(183)	(2,500)
<b>Total applications of capital funding</b>	<b>(882)</b>	<b>(903)</b>	<b>1,140</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(668)</b>	<b>(689)</b>	<b>1,131</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Additional costs due to payment of a legal claim in accordance with the Construction Contracts Act.

<sup>2</sup> Introduction of the new enterprise reporting system.

# FINANCIAL INFORMATION



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## ABOUT THIS VOLUME

This volume of the annual report contains the financial statements of Clutha District Council for the year ended 30 June 2018.

The Annual Report 2017/18 received an unmodified audit report and was adopted on 18 October 2018.

The references to documents and information on Clutha District Council and other websites are provided solely for the convenience of the readers who may require more detailed information. None of the documents or other information on those websites forms part of this Annual Report 2017/18.

For the clarity and usefulness of this report, this volume has the following sections:

**A - Results of the year**

**B - Long-term assets**

**C - Borrowings and financial Instruments**

**D - Working capital and equity**

**E - Financial risk management**

**F - Other disclosures**





**G - Financial reporting and prudence benchmarks**

The notes to the financial statements contain detailed financial information as well as the relevant accounting policies, explanation of significant variances against budget and local government disclosures.

Additional signposting has been used throughout the annual report to provide readers with a clearer understanding of key information in the financial report.

In addition to signposting, accounting policies are denoted by the box surrounding them and significant judgement and estimates are denoted by green highlights.

The following signposts have been used throughout this volume of the annual report:

Signposts	Explanation
	Accounting policy
	Significant judgement and estimates
	Explanation of major variances against budget
	Local government disclosures

# STATEMENT OF COMPLIANCE AND RESPONSIBILITY

## Compliance

The Council and management of the Clutha District Council confirm that all the statutory requirements in relation to this annual report, as outlined in the Local Government Act 2002, have been complied with.

## Responsibility

The Council and management of the Clutha District Council accept responsibility for the preparation and completion of the financial statements and the judgements used in them, and hereby adopt the financial statements as presented.

The Council and management of the Clutha District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Clutha District Council, the annual report for the year ended 30 June 2018 presents fairly the financial performance, financial position and service performance of the Clutha District Council.

**Bryan Cadogan**

Date: 18<sup>th</sup> October 2018

**MAYOR**

**Steve Hill**

Date: 18<sup>th</sup> October 2018

**CHIEF EXECUTIVE**

# STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the Financial Year ended 30 June 2018

	Notes	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
<b>REVENUE</b>				
Rates	A1	25,327	25,622	24,683
Grants and subsidies	A1	9,603	9,873	9,175
Fees and user charges		729	528	666
Permits and licenses		639	529	564
Other fees		1,049	1,135	1,011
Rental revenue		967	922	943
Interest revenue		556	852	225
Other revenue		525	798	621
Other gains	A6	3,191	-	3,815
<b>Total Revenue</b>	<b>A1</b>	<b>42,586</b>	<b>40,259</b>	<b>41,703</b>
<b>EXPENDITURE</b>				
Grants, contributions and sponsorship	A2	618	633	616
Other operating expenditure	A2	13,046	10,897	11,897
Roading repairs and maintenance	A2	7,747	7,810	7,403
Personnel costs	A3	5,653	6,224	5,342
Depreciation and amortisation	A4	12,948	13,272	13,752
Finance costs	A5	6	-	5
Operating lease payments		11	-	4
<b>Total Expenditure</b>		<b>40,029</b>	<b>38,836</b>	<b>39,019</b>
<b>SURPLUS FOR THE YEAR</b>		<b>2,557</b>	<b>1,423</b>	<b>2,684</b>
Other Comprehensive Revenue & Expense Items that may be reclassified to surplus or deficit				
Available-for-sale financial assets valuation gain		-	-	5
Items that will not be reclassified to surplus or deficit				
(Loss) Gain on property, plant and equipment revaluation		D6	-	(3,391)
<b>Total Other Comprehensive Revenue &amp; Expense</b>				<b>(3,386)</b>
<b>Total Comprehensive Revenue &amp; Expense for the year</b>		<b>2,557</b>	<b>1,423</b>	<b>(702)</b>

Explanations of major variances against budget are included with the notes.

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 30 June 2018

	Accumulated Funds \$000	Reserves \$000	Total Equity \$000	Budget \$000
<b>Balance as at 1 July 2016</b>	<b>235,400</b>	<b>785,711</b>	<b>1,021,111</b>	<b>1,021,704</b>
Surplus/(deficit) after income tax	2,684	-	2,684	82,054
Other comprehensive revenue	-	(3,391)	(3,391)	-
<b>Total Comprehensive Revenue &amp; Expense for the year</b>	<b>2,684</b>	<b>(3,391)</b>	<b>(707)</b>	<b>82,054</b>
Transfers (from)/to reserves	(1,829)	1,834	5	-
Additional Reserves Created	(11,546)	11,546	-	-
<b>Balance as at 30 JUNE 2017</b>	<b>224,709</b>	<b>795,700</b>	<b>1,020,409</b>	<b>1,103,758</b>
<b>Balance as at 1 July 2017</b>	<b>224,709</b>	<b>795,700</b>	<b>1,020,409</b>	<b>1,103,758</b>
Surplus/(deficit) after income tax	2,557	-	2,557	1,423
Other comprehensive revenue	-	-	-	-
<b>Total Comprehensive Revenue &amp; Expense for the year</b>	<b>2,557</b>	<b>-</b>	<b>2,557</b>	<b>1,423</b>
Net Transfers (from)/to reserves	(167)	167	-	-
Transfer to balance investments	(296)	296	-	-
<b>Balance as at 30 JUNE 2018</b>	<b>226,803</b>	<b>796,163</b>	<b>1,022,966</b>	<b>1,105,181</b>

Explanations of major variances against budget are included with the notes.  
The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
<b>Assets</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	D1	1,217	190	1,314
Receivables and prepayments	D2	6,389	4,446	3,732
Other financial assets	C3	25,520	13,009	25,471
Non-current assets held for sale	D7	420	2,824	317
Development property	D8	3,700	-	5,223
<b>Total current assets</b>		<b>37,246</b>	<b>20,469</b>	<b>36,057</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	B1	992,995	1,090,588	989,930
Intangible Assets	B2	1,117	-	-
Other financial assets	C3	52	47	52
<b>Total non-current assets</b>		<b>994,164</b>	<b>1,090,635</b>	<b>989,982</b>
<b>TOTAL ASSETS</b>		<b>1,031,410</b>	<b>1,111,104</b>	<b>1,026,039</b>
<b>Liabilities</b>				
<b>CURRENT LIABILITIES</b>				
Payables and accruals	D3	7,029	4,680	4,337
Employee entitlements	D4	626	461	482
<b>Total current liabilities</b>		<b>7,655</b>	<b>5,141</b>	<b>4,819</b>
<b>NON-CURRENT LIABILITIES</b>				
Provisions	D5	731	721	750
Other liabilities – Mercer Trust		58	61	61
<b>Total non-current liabilities</b>		<b>789</b>	<b>782</b>	<b>811</b>
<b>TOTAL LIABILITIES</b>		<b>8,444</b>	<b>5,923</b>	<b>5,630</b>
<b>NET ASSETS</b>		<b>1,022,966</b>	<b>1,105,181</b>	<b>1,020,409</b>
<b>EQUITY</b>				
Reserves	D6	796,163	852,373	795,700
Accumulated funds	D6	226,803	252,808	224,709
<b>TOTAL EQUITY</b>		<b>1,022,966</b>	<b>1,105,181</b>	<b>1,020,409</b>

Explanations of major variances against budget are included with the notes.  
The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

For the Financial Year ended 30 June 2018

Notes	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers, rates, grants and other services	34,739	39,452	37,736
Interest received	556	805	225
Payments to suppliers and employees	(22,345)	(25,561)	(25,831)
<b>Net cash inflow from operating activities</b>	<b>12,950</b>	<b>14,696</b>	<b>12,130</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts from sale of property, plant and equipment and forestry	162	2,306	7,063
Purchase of property, plant and equipment	(16,860)	(27,776)	(12,474)
(Acquisition)/sale of other financial assets	2,128	10,850	(1,303)
Disposal / (acquisition) of development property	1,523	-	(4,526)
<b>Net cash (outflow) from investing activities</b>	<b>(13,047)</b>	<b>(14,620)</b>	<b>(11,240)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	-	-	-
Repayment of borrowings	-	-	-
<b>Total Cash Flows From Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in Cash and cash equivalents</b>	<b>(97)</b>	<b>76</b>	<b>890</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>1,314</b>	<b>114</b>	<b>424</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>1,217</b>	<b>190</b>	<b>1,314</b>

Explanations of major variances against budget are included with the notes.

The accompanying notes form part of these financial statements.

## RECONCILIATION OF SURPLUS/ (DEFICIT) AFTER INCOME TAX TO CASH INFLOW FROM OPERATING ACTIVITIES

	2018 \$000	2017 \$000
<b>Surplus/(Deficit) for the period</b>	<b>2,557</b>	<b>2,684</b>
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation	12,948	13,752
Gain on fair value of forestry asset	(92)	(62)
(Gain)/Loss on sale of property, plant and equipment	625	(3,155)
Unrealised gain on revaluation of other financial assets to fair value	(2,177)	(110)
Vested Assets	(1,547)	(488)
	<b>9,757</b>	<b>9,937</b>
<b>Movement in working capital:</b>		
Trade and other receivables	(2,657)	714
Trade and other payables	2,692	(337)
Employee entitlements	144	21
Provisions	(19)	(19)
	<b>160</b>	<b>379</b>
<b>Items classified as Investing Activities:</b>		
Movement in property, plant and equipment included in trade and other payables	476	(870)
<b>Net cash inflow from operating activities</b>	<b>12,950</b>	<b>12,130</b>

## STATEMENT OF ACCOUNTING POLICIES

This section contains Council's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies are also included in the related note disclosures.

### Reporting entity

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

Council's principle address is 1 Rosebank Terrace, Balclutha New Zealand.

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

Council has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice.

The financial statements of Council are for the year ended 30 June 2018. The financial statements are authorised for issue by Council on 18 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 have been prepared in accordance with and comply with Tier 1 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 chief executive remuneration and the severance payment disclosures in Note A2 and the related party transaction disclosures in Note A2. The remuneration, severance payments and related party transaction disclosures are rounded to the nearest dollar.

### Standards issued and not yet effective early adopted

#### *Impairment of Revalued Assets*

In April 2017, the XRB issued Impairment of Revalued Assets, which now scopes in revalued property, plant, and equipment into the impairment accounting standards. Previously, only property, plant, and equipment assets measured at cost were scoped into the impairment accounting standards.

Council has early adopted this amendment in preparing its 30 June 2017 financial statements. From the 30 June 2017 year onwards, Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. Council can therefore impair a revalued asset without having to revalue the entire class of-asset to which the asset belongs.

### Other changes in accounting policies

There have been no other changes in accounting policies.

### Standards issued and not yet effective, and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted; and which are relevant to Council are:



### 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.

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

### Employee benefits

PBE IPSAS 39 Employee Benefits replaces the current standard on employee benefits, PBE IPSAS 25. PBE IPAS 39 is effective for annual period beginning on or after 1 January 2019, with early application permitted. The changes mainly focus on defined benefit plans where the new standards:

- Removes the option to defer the recognition of certain actuarial gains and losses arising from defined benefit plans.
- Eliminates some of the presentation options for actuarial gains and losses arising from defined benefit plans.
- Introduces the net interest approach, which is to be used when determining the defined benefit cost for defined benefit plans.
- Structures the disclosures for defined benefit plans according to explicit disclosure objectives for defined benefit plans.

Council does not have defined benefit plans and therefore, Council does not expect this standard to have significant impact on the financial statements.

### 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:

#### Goods and services tax

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented 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 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 in preparing these financial statements.



## Significant judgements and estimates

### Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made 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 within the next financial year are:

- Estimating the fair value and useful lives of land, buildings, and infrastructural assets – see Note B1.

### Critical judgements in applying accounting policies

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

- Classification of property – see Note B1.

## SECTION A: RESULTS FOR THE YEAR

This section focuses on the performance of Council during the year. This highlights the rates and other revenue earned and how these are applied against our major expenditures such as employee benefits and depreciation. Required disclosures such as the remuneration of the mayor, elected members and staff are presented under “employee benefit’ transactions”.

The notes in the section are as follows:

- A1 Revenue
- A2 Operating expenditures
- A3 Employee benefits
- A4 Depreciation and amortisation
- A5 Finance costs
- A6 Net other gains and losses
- A7 Income tax

## A1 REVENUE



### Accounting policy

Revenue is measured at fair value.

Each significant activity is stated gross of internal costs and revenue, and includes targeted rates attributable to activities. In order to fairly reflect the total external operations for Council in the statement of comprehensive revenue and expenditure, these transactions are eliminated as shown in the note.

Council receives its revenue from exchange or non-exchange transactions.

Exchange transaction revenue arises when Council provides goods or services to a third party and directly receives approximately equal value in return.

Non-exchange transaction revenue arises when Council receives value from another party without giving approximately equal value directly in exchange for the value received. Non-exchange revenue comprises rates and transfer revenue.

Transfer revenue includes grants and subsidies and fees and user charges derived from activities that are partially funded by rates.

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

#### Type

#### Recognition and measurement

##### 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. Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables 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 Council has received an application that satisfies its rates remission policy.

##### Grants

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if 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 grant are satisfied.

##### Financial contributions

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

<b>New Zealand Transport Agency roading subsidies</b>	Council receives funding assistance from the New Zealand Transport Agency (NZTA), 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.
<b>Vested or donated physical assets</b>	<p>For assets received for no or nominal consideration, the asset is recognised at its fair value when 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.</p> <p>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 construction price information provided by the property developer.</p> <p>For long-lived assets that must be used for a specific use (for example, land must be used as a recreation reserve), Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.</p>
<b>Infringement fees and fines</b>	When the infringement notice is issued.
<b>Interest revenue</b>	Interest revenue is recognised using the effective interest method.
<b>Dividend revenue</b>	Dividends are recognised when the right to receive payment has been established.
<b>Water and wastewater user charges</b>	When invoiced or accrued in the case of unbilled services at fair value of cash received or receivable.
<b>Sale of goods</b>	Revenue from the sale of goods is recognised when a product is sold to the customer.
<b>Sale of services</b>	On a percentage of completion basis over the period of the service supplied.
<b>Building and resource consent revenue</b>	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. Partially refundable after administration and inspection fees if application is cancelled.
<b>Licence and permit fees</b>	On receipt of application as these are non-refundable.
<b>Entrance fees</b>	Entrance fees are fees charged to users of Council's local facilities, such as the pools. Revenue from entrance fees is recognised upon entry to such facilities.
<b>Landfill fees</b>	Fees for disposing of waste at Council's landfill are recognised as waste is disposed by users.

The split of exchange and non-exchange revenue is disclosed below:

	Notes	2018 \$000	2017 \$000
<b>Revenue from Non-Exchange Transactions</b>			
General rates		5,028	4,737
Targeted rates	See below	20,426	19,985
Rates penalties		268	301
Internal rates		(395)	(340)
<b>Total revenue from rates</b>		<b>25,327</b>	<b>24,683</b>
<b>Revenue from Exchange Transactions</b>			
Rental and lease revenue		967	943
Interest revenue and gain on changes in fair value		2,733	335
Otago Corrections Facility water		165	191
Forestry revaluation		92	62
Other revenue		104	4,560
<b>Total revenue from exchange transactions</b>		<b>4,061</b>	<b>6,091</b>
<b>Other Revenue from Non-Exchange Transactions</b>			
Grants and subsidies	See below	9,603	9,175
Vested assets	A6	1,547	488
Swimming pool revenue		129	117
Building consents		498	433
Other revenue		1,421	716
<b>Total other revenue from non-exchange transactions</b>		<b>13,198</b>	<b>10,929</b>
<b>TOTAL REVENUE</b>		<b>42,586</b>	<b>41,703</b>
<b>Targeted Rates Attributable to Activities:</b>			
Community leadership		246	239
Internal services		88	89
Roads and footpaths		7,840	7,754
Water supply		6,742	6,563
Stormwater		615	590
Sewerage		2,029	1,900
Solid waste		699	736
Community services		1,639	1,659
Regulatory and emergency services		528	455
		<b>20,426</b>	<b>19,985</b>
<b>Grants and Subsidies:</b>			
NZTA subsidy		9,327	8,919
Other		276	256
		<b>9,603</b>	<b>9,175</b>



## Explanation of major variances against budget

### Total revenue

Revenue was greater than budget by \$2,327k but within the different categories there was some variance:

- Actual vested assets were \$1,547k. Budget was zero.
- We had an unrealised gain on investments of \$2,177k. Budget was zero.
- Actual investment returns were \$555k compared to a budget of \$270k.
- Asset disposals including development property generated a loss of \$625k. Budget was zero.
- The NZTA subsidy was \$9,327k compared to a budget of \$9,620k.
- Fee activity was up with actual revenue of \$729k compared to a budget of \$528k.



## Local government disclosures

Council's rating base information relating to the current and prior financial year is as follows:

	2018 \$000	2017 \$000
Number of rating units	11,201	11,124
Total Capital Value of rating units	8,015,673	7,366,334
Total Land Value of rating units	5,408,961	4,977,522

### Breakdown of summary revenue for group of activities

	2018 \$000	2017 \$000
<b>Revenue</b>		
Roading	9,463	9,010
Water Services – Water	546	481
Water Services – Sewerage	196	210
Solid Waste	728	624
Community Services - Library/Service Centre/Information Centre	81	69
Community Services - Swimming Pools	129	120
Community Services - Parks/Reserves/Sportsgrounds	54	7
Community Services - Halls and Community Centres	106	100
Community Services - Other Council Property	815	856
Community Services – Cemeteries	94	106
Regulatory Services - Resource Management	64	57
Regulatory Services - Animal Control	212	210
Regulatory Services - Environmental Health	34	26
Regulatory Services - Building Control	617	574
Regulatory Services - Liquor Licensing	89	78
<b>Total activity revenue</b>	<b>13,228</b>	<b>12,528</b>

<b>Add</b>		
Rates	25,327	24,683
Other Gains/(Losses)	3,191	3,815
Petrol Tax	203	185
Other Revenue	637	492
	<b>29,358</b>	<b>29,175</b>
<b>Total Revenue</b>	<b>42,586</b>	<b>41,703</b>

## A2 OPERATING EXPENDITURE



### Accounting policies

#### Grants and subsidies

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

#### Impairment of property, plant and equipment and intangible assets

The initial measurement on property, plant and equipment and intangible assets are disclosed in Notes B1 and B2.

Intangible assets subsequently measured at cost that have indefinite useful life are tested annually for impairment. Property, plant and equipment and intangible assets subsequently measured at cost that have finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication exists, Council estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is recognised in surplus or deficit in the statement of comprehensive revenue and expenditure for the amount by which the asset's carrying amount exceeds its recoverable amount.

Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows.

For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost (DRC).

Property, plant and equipment that is measured at fair value, is not required to be separately tested for impairment.

#### Group of activities

The cost of service for each significant activity of 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 costs that cannot be identified in an economically feasible manner with a specific significant 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.



<b>Breakdown of summary expenditure for group of activities</b>	<b>Note</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
<b>Expenditure</b>			
Community Leadership - Governance		1,137	1,027
Community Leadership – Community Support		382	412
Community Leadership – Economic Development		664	560
Community Leadership – Culture & Heritage		282	283
Roading		17,699	17,303
Water Services – Water		7,551	6,587
Water Services - Stormwater		673	525
Water Services – Sewerage		2,354	1,951
Solid Waste		1,398	1,334
Community Services - Library/Service Centre/Information Centre		1,323	1,391
Community Services - Swimming Pools		757	1,121
Community Services - Parks/Reserves/Sportsgrounds		1,021	831
Community Services - Halls and Community Centres		412	322
Community Services - Other Council Property		689	688
Community Services - Public Conveniences		349	334
Community Services – Cemeteries		223	198
Regulatory Services - Resource Management		207	234
Regulatory Services - Animal Control		359	325
Regulatory Services - Environmental Health		169	143
Regulatory Services - Building Control		762	835
Regulatory Services - Liquor Licensing		89	116
Emergency Services - Civil Defence		102	225
Emergency Services - Rural Fire		4	249
<b>Total activity expenditure</b>		<b>38,606</b>	<b>36,994</b>
<b>Add</b>			
Additional Depreciation		460	253
Forestry Expenditures		19	110
Other Expenditure		1,339	2,002
Internal Rates		(395)	(340)
		<b>1,423</b>	<b>2,025</b>
<b>Total Expenditure</b>		<b>40,029</b>	<b>39,019</b>
<b>Operating Expenditures include:</b>			
Grants, contributions and sponsorship		618	616
Impairment of receivables	D2	56	91
Minimum lease payments for operating leases		11	4
Other expenses		13,046	11,897
Roading repairs and maintenance		7,747	7,403
Fees paid to elected members		411	406



## Explanation of major variances against budget

### Expenditure

Expenditure was more than budget by \$1,193k but within the different categories there was some variance:

- Depreciation was less than budget by \$324k due to the devaluation last year of the property, plant and equipment.
- Actual severance payments of \$30k were paid. Budget was zero.
- Consultancy fees were \$199k higher than budget due to design changes in capital projects, asset management work and legal fees.
- Recording of bad debt expense as an allowance of \$56k. Budget was zero.
- Actual investment fund manager fees incurred of \$134k. Budget was zero.
- We paid Clutha Development Trust \$100k more than budgeted for additional project work.
- Additional Objective license fees of \$44k Budget was zero.
- Our Emissions Trading Scheme liability was \$105k more than budget.

### Fees to auditors

The following fees were charged for the services provided by the auditors of Council:

	2018 \$000	2017 \$000
Audit of financial statements	124	118
Audit of long term plan	125	-
<b>Total fees to auditors</b>	<b>249</b>	<b>118</b>

## A3 PERSONNEL COSTS



### Accounting policy

Personnel costs for salaries and wages, annual leave, long service leave and other similar benefit are recognised as an expenditure and liability when they accrue to employees.

	2018 \$000	2017 \$000
<b>Personnel Costs Expenditure</b>		
Salaries and wages	6,129	5,664
Kiwi-saver	162	143
Capitalised salary and wages	(638)	(465)
<b>Total personnel costs expenditure</b>	<b>5,653</b>	<b>5,342</b>

Refer to note D4 for employee entitlement liability as at 30 June 2018 and 30 June 2017.



#### Explanation of major variances against budget

##### **Employee benefits expenditure**

Employee benefits expenditure of \$6,129k has increased by \$465k from 2017, due to there being additional fixed term employees to carry out the Enterprise Resource Planning and Service Delivery projects and to cover parental leave.



## Local government disclosures

<b>Employee numbers and remuneration bands</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
<b>Councillors</b>		
Remuneration	411	406
Full-time equivalent members	15	15
<b>Community Board Members</b>		
Remuneration	43	42
Full-time equivalent members	12	12
<b>Senior Management Team, including Chief Executive</b>		
Remuneration	723	762
Full-time equivalent members	4	4
<b>Severance Payments</b>		
For the year ended 30 June 2018 Council made total severance payments of \$30,137 to employees of \$19,958 and \$10,179 respectively (2017: \$89,544).		
<b>Remuneration of Elected Members</b>		
During the year to 30 June 2018, the total remuneration and value of other non-financial benefits received by or payable to the Mayor and other Elected Members were as follows:		
<b>Elected Representatives</b>		
	<b>2018 \$000</b>	<b>2017 \$000</b>
His Worship the Mayor B A Cadogan	90	90
<b>Councillors</b>		
Hamish Anderson	-	6
Geoff Blackmore	22	22
John Cochrane	26	26
Stewart Cowie	27	26
Ron Davis	-	6
Gaynor Finch	22	22
Bruce Graham	21	20
John Herbert	20	13
Rachel Jenkinson	21	14
Michelle Kennedy	22	21
Alison Ludemann	21	14
Jeff McKenzie	-	7
Hilary McNab	26	25
Ken Payne	21	20
Carol Sutherland	19	13
Jo-anne Thomson	-	6
Bruce Vollweiler	35	36
Selwyn Wilkinson	19	19
<b>Lawrence/Tuapeka Community Board</b>		
Quentin Currall	3	2
Geoff Davidson	3	4
Melinda Foster	3	2
Rochelle Langley	3	1
Malcolm MacLeod	3	1

Garry McCorkindale	6	5
Rowena Paterson	-	1
Liz Ritchie	-	3
Paul Tansley	-	2

#### West Otago Community Board

Cecil Crawford	3	2
Barbara Hanna	7	6
John Herbert	-	1
Anthony Robertson	3	3
Bruce Robertson	3	3
Linda Roulston	3	3
Suzanne Wink	3	3

These amounts are set by the Remuneration Authority and vary according to the role.

#### Remuneration of Employees

At balance date Council employed 71 full time employees compared to 71 in 2017, with the balance of staff representing 16 full time equivalent employees (12 in 2017). A full time employee is determined based on a 37.5 hour working week.

Total annual remuneration by band for full and part time employees as at 30<sup>th</sup> June:

	2018	2017
<b>Salary Band</b>	<b>Number of</b>	<b>Number of</b>
<b>\$</b>	<b>Employees</b>	<b>Employees</b>
<60,000	73	63
60,000-80,000	23	22
80,000-100,000	15	13
100,000-240,000	11	7

#### Chief Executive

During the period covered by this report Steven Hill was Chief Executive and he received a salary of \$245,407 (2017: \$239,147). For the year ended 30<sup>th</sup> June 2018, the total annual cost including FBT to Council of the remuneration package being received by the Chief Executive is calculated at \$245,460 plus FBT \$5,422 (2017: \$238,680 plus FBT \$4,588.)

Council undertakes transactions with related parties in the normal course of business on an arms-length commercial basis.

#### Other Transactions Involving Related Parties

Councillor Hilary McNab is involved with Catlins Promotions \$0 (2017: \$2,115), Owaka Going Forward \$0 (2017: \$300) and the Owaka Swimming Pool Committee \$10,221 (2017: \$9,260). Councillor Gaynor Finch is involved with the Clutha Vet association \$2,634 (2017: \$3,944) Otago Museum Board \$208,806 (2017: \$208,806). Chief executive Steve Hill is on the Board of Clutha Developments Incorporated \$660,156 (2017: \$530,845). Councillor Ken Payne is involved with Agri Engineering Rosebank Industrial Estate \$4,350 (2017: \$0). Councillor Geoff Blackmore is involved with Simpson Park Sporting Complex \$6,832 (2017: \$6,711). Mayor Bryan Cadogan purchased a lot from Plantation Heights \$105,000 (2017: \$0). There were no other transactions with related parties.

## A4 DEPRECIATION AND AMORTISATION



### Accounting policy

Depreciation is provided on all property, plant and equipment except for land, land under forests, road formation and land under roads. Depreciation is calculated to write down the cost or revalued amount of the assets on a straight line basis over their useful economic lives (Note B1).

Amortisation is provided on intangible assets, except rights to acquire, and is calculated to write down the cost of the assets on a straight line basis over their useful economic lives (Note B2).

	Note	2018 \$000	2017 \$000
<b>Depreciation and Amortisation Expenditure</b>			
Depreciation of property, plant and equipment	B1	12,729	13,752
Amortisation of Intangibles	B2	219	-
<b>Total depreciation and amortisation</b>		<b>12,948</b>	<b>13,752</b>



### Local government disclosures

Depreciation and amortisation by group of activities:

	2018 \$000	2017 \$000
Roading	8,965	10,200
Water	1,649	1,638
Sewerage	834	783
Stormwater	286	247
Community services	716	594
Solid waste management	27	21
Regulatory and emergency services	11	16
Internal Services	460	253
<b>Total depreciation and amortisation (Notes B1 and B2)</b>	<b>12,948</b>	<b>13,752</b>

## A5 FINANCE COSTS



### Accounting policy

Finance costs include interest expenditure, the unwinding of discounts on provisions and financial assets; and net realised losses on the early close-out of derivatives. Interest expenditure is recognised using the effective interest rate method. Interest expenditure includes the amortisation of borrowing costs recognised over the borrowing term. Borrowing costs are recognised as an expense in the financial year in which they are incurred.

<b>Finance Costs</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
Bank	-	-
Discount unwind on landfill provision	6	5
	<b>6</b>	<b>5</b>
Current	-	5
Non-current	-	-
	<b>6</b>	<b>5</b>

Council has not borrowed funds in the past two financial years but does hold borrowing facilities which if drawn upon are secured by negative pledge including future general rates. Council has a multi option credit line facility of \$3m which expires 31 July 2019 and a business MasterCard facility with a limit of \$20k. Interest is charged on a daily basis. At balance date the current weighted average effective interest rate on the bank borrowings is 0% (2017: 0%).

Refer to Note E1 about the description of interest rate risk and interest rate risk management.

## A6 NET OTHER GAINS AND LOSSES



### Accounting policy

Net other gains and losses on the sale of property plant and equipment, property intended for sale and financial assets are recognised when an unconditional contract is in place and it is probable that Council will receive the consideration due.

\$000	2018 \$000	2017 \$000
Vested assets	1,547	488
Net loss on disposal of property, plant and equipment	(526)	(459)
Net gain on disposal of forestry assets	-	3,484
Net (loss)/gain on disposal of corporate properties – see below for breakdown	(99)	130
Net gain on changes in fair value of financial assets at fair value through surplus or deficit	2,177	110
Net gain on changes in fair value of forestry asset	92	62
<b>Total net other gains and losses</b>	<b>3,191</b>	<b>3,815</b>



### Explanation of major variances against budget

#### Net other gains and losses

Vested assets from sub-divisions amounted to \$1,547k. Budget was zero.

There was an unrealised gain of \$2,177k on the Nikko Investment portfolio Budget was zero.

The corporate property breakdown is reflected below – Rosebank is expected to make a loss.

Net (loss) / gain on disposal of corporate properties - Breakdown	2018 \$000	2017 \$000
Proceeds Rosebank Industrial	1,280	407
Cost of sales Rosebank Industrial	(1,576)	(280)
<b>(Loss) / gain Rosebank Industrial</b>	<b>(296)</b>	<b>127</b>
Proceeds Plantation Heights	1,245	-
Cost of sales Plantation Heights	(1,050)	-
<b>Gain Plantation Heights</b>	<b>195</b>	<b>-</b>
Proceeds Tapanui	18	81
Cost of sales Tapanui	(17)	(64)
<b>Gain Tapanui</b>	<b>1</b>	<b>17</b>
Proceeds Other	1	340
Cost of sales Other	-	(354)
<b>Gain / (loss) Other</b>	<b>1</b>	<b>(14)</b>
<b>Total net (loss) / gain on disposal of corporate properties</b>	<b>(99)</b>	<b>130</b>



## A7 INCOME TAX



### Accounting policy

Council is exempt from income tax under the Income Tax Act 2007.

## SECTION B: LONG TERM ASSETS

This section provides information about the investments Council has made in long-term assets to provide services and facilities to the people of the Clutha District. The long-term assets include physical assets such as infrastructure, land and buildings, parks and reserves and non-physical assets such as computer software.

The notes in this section are as follows:

- B1 Property, plant and equipment
- B2 Intangible assets

## B1 PROPERTY, PLANT AND EQUIPMENT



### Accounting Policy

Property, plant and equipment consist of:

- **Operational Assets**

Land, buildings, furniture and equipment, plant and motor vehicles, land under forests and library books.

- **Infrastructural Assets**

Infrastructural assets are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function:

- Roads, bridges and lighting.
- Land under roads.
- Stormwater.
- Wastewater.
- Water.

Land (operational and restricted), buildings (operational and restricted), and library books are measured at cost less accumulated depreciation, and 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.

- **Restricted Assets**

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

### Revaluation

Infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expenditure 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 expenditure 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 only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

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

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

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 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.

## 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 asset revaluation reserves in respect of those assets are transferred to accumulated funds.

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write off the carrying value 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:

Asset class	Estimated useful lives	Depreciation Rate
<b>Operational Assets</b>		
Land	Not applicable	Not depreciated
Buildings	40-50	2% - 2.5%
Furniture and equipment	3-10	10% - 33.3%
Plant and motor vehicles	3-10	10% - 33.3%
Land under forest	n/a	Not depreciated
Library books	7	14.3%
<b>Infrastructural Assets</b>		
Roads - formation	Not applicable	Not depreciated
Roads - pavement (sealed)	2-100	1%-50%
Roads - pavement (unsealed)	35-100	1%-2.86%
Roads - other roading assets	20-150	0.6%-5%
Roads - other	10-50	2%-10%
Roads - bridges	50-150	0.6%-2%
Land under roads	Not applicable	Not depreciated
Stormwater	20-100	1-5%
Wastewater	20-100	1-5%
Water	20-100	1-5%
<b>Restricted assets</b>		
Reserves	Not applicable	Not applicable
Endowments	Not applicable	Not applicable
Other	Not applicable	Not applicable

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

## Impairment of property, plant, and equipment

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and 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 its 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. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

From the 30 June 2017 year onwards, Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. Council can therefore impair a revalued asset without having to revalue the entire class of-asset to which the asset belongs.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expenditure and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expenditure and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

#### **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, a 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 availability of information.

#### **Value in use for cash-generating assets**

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

PROPERTY, PLANT AND EQUIPMENT continued

2018

	Cost /Valuation 1 July 2017 (\$000)	Additions (\$000)	Disposals (\$000)	Transfers (\$000)	Revaluation (\$000)	Cost /Valuation 30 June 2018 (\$000)	Accumulated depreciation charges 1 July 2017 (\$000)	Impairment losses charged in Statement of Financial Performance (\$000)	Depreciation expense (\$000)	Accumulated depreciation reversed on disposal (\$000)	Accumulated depreciation reversed on revaluation (\$000)	Accumulated depreciation charges 30 June 2018 (\$000)	Carrying amount 30 June 2018 (\$000)
<b>Operational Assets</b>													
<b>At Cost</b>													
Land	2,723			301	-	3,024	-					-	3,024
Buildings	14,245	56		(286)	-	14,015	(3,991)	(279)				(4,270)	9,745
Land - restricted	1,378			79	-	1,457	-					-	1,457
Land under forests	12			(12)	-	-	-					-	-
Buildings - restricted	3,232	48		636	-	3,916	(1,231)	(77)				(1,308)	2,608
Furniture and equipment	2,871	76	(1,666)		-	1,281	(2,294)	(203)	1,670			(827)	454
Plant and Motor vehicles	3,396	255	(787)		-	2,864	(1,790)	(334)	785			(1,339)	1,525
Library Books	2,802	113	(2,154)		-	761	(2,488)	(102)	2,154			(436)	325
Work in progress	1,523	102	-	(1,522)	-	103	-					-	103
<b>Total Operational Assets</b>	<b>32,182</b>	<b>650</b>	<b>(4,607)</b>	<b>(804)</b>	<b>-</b>	<b>27,422</b>	<b>(11,794)</b>	<b>-</b>	<b>(995)</b>	<b>4,609</b>	<b>-</b>	<b>(8,180)</b>	<b>19,242</b>
<b>Infrastructural Assets</b>													
Roads - Formation	536,306	342	-	-	-	536,648	-	-	-	-	-	-	536,648
Roads - Pavement (sealed)	146,442	2,897	-	-	-	149,339	-	(3,896)	-	-	-	(3,896)	145,443
Roads - Pavement (unsealed)	80,900	2,391	-	-	-	83,291	-	(2,622)	-	-	-	(2,622)	80,669
Roads - Other roading assets	40,279	1,009	-	-	-	41,288	-	(1,150)	-	-	-	(1,150)	40,138
Roads - Other	6,483	1,023	-	-	-	7,506	-	(512)	-	-	-	(512)	6,994
Roads - Bridges	40,789	804	-	-	-	41,593	-	(785)	-	-	-	(785)	40,808
Land under roads	7,833	-	-	-	-	7,833	-	-	-	-	-	-	7,833
Stormwater	10,848	687	(14)	66	-	11,587	-	(286)	-	-	-	(286)	11,301
Sewerage	37,533	1,119	(125)	6	-	38,533	-	(834)	3	-	-	(831)	37,702
Water	60,027	2,175	(435)	631	-	62,398	-	(1,649)	11	-	-	(1,638)	60,760
Work in Progress	2,102	4,058	-	(703)	-	5,457	-	-	-	-	-	-	5,457
<b>Total Infrastructural Assets</b>	<b>969,542</b>	<b>16,505</b>	<b>(574)</b>	<b>-</b>	<b>-</b>	<b>985,473</b>	<b>-</b>	<b>-</b>	<b>(11,734)</b>	<b>14</b>	<b>-</b>	<b>(11,720)</b>	<b>973,753</b>
<b>Total Property, Plant and Equipment</b>	<b>1,001,724</b>	<b>17,155</b>	<b>(5,181)</b>	<b>(804)</b>	<b>-</b>	<b>1,012,895</b>	<b>(11,794)</b>	<b>-</b>	<b>(12,729)</b>	<b>4,623</b>	<b>-</b>	<b>(19,900)</b>	<b>992,995</b>

## 2017

	Cost /Valuation					Cost /Valuation 30 June 2017	Accumulated depreciation and impairment charges	Impairment losses charged in Statement of Financial Performance	Depreciation expense	Accumulated depreciation reversed on disposal	Accumulated depreciation reversed on revaluation	Accumulated depreciation and impairment charges	Carrying amount
	1 July 2016	Additions	Disposals	Transfers	Revaluation		1 July 2016					30 June 2017	30 June 2017
<b>Operational Assets</b>													
<b>At Cost</b>													
Land	3,077	-	(354)	-	-	2,723	-	-	-	-	-	-	2,723
Buildings	14,004	175	-	66	-	14,245	(3,712)	-	(278)	-	-	(3,991)	10,254
Land - restricted (i)	1,283	19	-	76	-	1,378	-	-	-	-	-	-	1,378
Land under forests	116	-	(104)	-	-	12	-	-	-	-	-	-	12
Buildings - restricted (i)	3,227	-	-	5	-	3,232	(1,166)	-	(65)	-	-	(1,231)	2,001
Furniture and equipment	2,728	143	-	-	-	2,871	(2,128)	-	(167)	-	-	(2,294)	577
Plant and Motor vehicles	3,061	299	(31)	68	-	3,396	(1,541)	-	(280)	31	-	(1,790)	1,606
Library Books	2,690	112	-	-	-	2,802	(2,393)	-	(95)	-	-	(2,488)	314
Work in progress	692	1,045	-	(215)	-	1,523	-	-	-	-	-	-	1,523
<b>Total Operational Assets</b>	<b>30,879</b>	<b>1,793</b>	<b>(489)</b>	<b>0</b>	<b>-</b>	<b>32,182</b>	<b>(10,940)</b>	<b>-</b>	<b>(885)</b>	<b>31</b>	<b>-</b>	<b>(11,794)</b>	<b>20,389</b>
<b>Infrastructural Assets</b>													
Roads - Formation	534,020	340	-	-	1,945	536,305	-	-	-	-	-	-	536,305
Roads - Pavement (sealed)	158,179	4,502	-	-	(16,238)	146,442	(7,681)	-	(4,161)	-	11,842	-	146,442
Roads - Pavement (unsealed)	82,579	1,359	-	-	(3,038)	80,900	(5,469)	-	(3,553)	-	9,023	-	80,900
Roads - Other roading assets	46,754	472	-	1	(6,948)	40,279	(2,629)	-	(1,137)	-	3,765	-	40,279
Roads - Other	6,923	568	-	-	(1,008)	6,483	(936)	-	(508)	-	1,444	-	6,483
Roads - Bridges	50,650	1,794	-	-	(11,654)	40,789	(1,750)	-	(841)	-	2,591	-	40,789
Land under roads	7,833	-	-	-	-	7,833	-	-	-	-	-	-	7,833
Stormwater	10,512	461	(7)	122	(240)	10,848	(480)	-	(247)	0	726	-	10,848
Sewerage	38,028	161	(57)	96	(694)	37,533	(1,537)	-	(783)	1	2,319	-	37,533
Water	61,516	902	(408)	52	(2,035)	60,026	(3,171)	-	(1,638)	6	4,803	-	60,026
Work in Progress	772	1,601	-	(270)	-	2,102	-	-	-	-	-	-	2,102
<b>Total Infrastructural Assets</b>	<b>997,766</b>	<b>12,159</b>	<b>(472)</b>	<b>0</b>	<b>(39,911)</b>	<b>969,542</b>	<b>(23,653)</b>	<b>-</b>	<b>(12,867)</b>	<b>7</b>	<b>36,513</b>	<b>-</b>	<b>969,542</b>
<b>Total Property, Plant and Equipment</b>	<b>1,028,645</b>	<b>13,952</b>	<b>(961)</b>	<b>0</b>	<b>(39,911)</b>	<b>1,001,724</b>	<b>(34,593)</b>	<b>-</b>	<b>(13,752)</b>	<b>38</b>	<b>36,513</b>	<b>(11,794)</b>	<b>989,930</b>



## Significant judgements and estimates

### Estimating the fair value of infrastructure

The most recent valuation of infrastructural assets effective 30 June 2017 was performed by:

- Stormwater, sewerage and water infrastructural assets were valued at depreciated replacement cost as at 30 June 2017 by staff and reviewed by Rationale Limited.
- The roading infrastructural assets (excluding land under roads) were revalued at depreciated replacement cost at 30 June 2017 by MWH Limited (Stantec).

Sewerage, water, drainage, and roading infrastructural assets 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 the replacement cost of the asset. The replacement cost of an asset is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location. If recent contract cost information is considered out of date, it is indexed using Statistics New Zealand's Capital Goods Price Index (based on the March 2017 quarter index) for civil constructions to convert them to current dollar value at the valuation date.
- 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 Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expenditure. 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.

### Critical Judgements in applying accounting policies

#### Classification of Property

Council owns properties held to provide social housing. The receipt of market-based rental from these properties is incidental to holding them. These properties are held for service delivery objectives as part of Council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than investment property.



## Restrictions

Land and buildings in the "Restricted Asset" category are subject to restrictions on either 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 or buildings acquired under a bequest or donation that restricts the purpose for which the assets can be used).

Certain classes of property, plant and equipment where restrictions apply follow:

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Land and buildings, including parks and reserves	4,065	3,379
<b>Total</b>	<b>4,065</b>	<b>3,379</b>

## Security over property, plant and equipment

Other than property, plant and equipment subject to finance leases, no other property, plant and equipment is pledged as security for liabilities (2017: \$nil) of Council.



## Local government disclosures

### Core assets

Under the Local Government (Financial Reporting and Prudence) Regulations 2014, Council is required to disclose information about core assets.

Included within the infrastructure assets are the following core assets:

		Closing Book Value 30 June 2018 \$000	Additions constructed by Council \$000	Additions transferred to Council \$000	Estimated replacement cost \$000
Water Supply	Treatment plants and facilities	19,463	1,058	127	35,041
Water Supply	Other assets (such as reticulation systems)	41,296	1,094	527	75,279
Sewerage	Treatment plants and facilities	12,956	247	3	18,991
Sewerage	Other assets (such as reticulation systems)	24,746	273	601	47,443
Stormwater/Drainage		11,301	463	289	24,696
Roads and Footpaths		850,700	8,466	-	1,017,928

### Insurance of assets

Under the LGA 2002, Council is required to disclose the following information on insurance of assets as at 30 June 2018:

	2018 Actual \$000	2017 Actual \$000	2016 Actual \$000
Total value of all assets of the local authority that are covered by insurance contracts	46,714	44,859	49,897
Maximum amount to which they are insured	156,917	151,776	148,351
Total value of all assets of the local authority that are covered by financial risk sharing arrangements	-	-	-
Maximum amount available to the local authority under those arrangements	-	-	-
Total value of all assets that are self-insured ( <u>Underground assets</u> )	78,127	78,618	72,627
<b>Total value of funds maintained for self-insured assets (<u>Underground assets</u>)</b>	<b>238</b>	<b>176</b>	<b>168</b>

## B2 INTANGIBLE ASSETS



### Accounting policy

#### Software acquisition and development

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 attributable to 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 development and maintenance of Council's website are recognised as an expense when incurred.

#### 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 financial year 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 to 5 years	20% to 33.3%
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#### Impairment of intangible assets

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

For further details, refer to the policy for impairment of property, plant, and equipment in Note B1. The same approach applies to the impairment of intangible assets.

<b>Computer Software</b>	<b>\$000</b>
<b>Gross carrying amount</b>	
<b>Balance at 1 July 2016</b>	<b>803</b>
Additions	-
Transfer from Work In Progress	-
Disposals	-
Intangibles Expensed during the year	-
<b>Balance at 1 July 2017</b>	<b>803</b>
Additions	721
Transfers from Work In Progress	615
Disposals	-
<b>Balance at 30 June 2018</b>	<b>2,139</b>
<b>Accumulated amortisation</b>	
<b>Balance at 1 July 2016</b>	<b>803</b>
Amortisation Expenditure	-
Disposals	-
Amortisation reversed on intangibles Expensed during the year	-
<b>Balance at 1 July 2017</b>	<b>803</b>
Amortisation Expenditure	219
Disposals	-
<b>Balance at 30 June 2018</b>	<b>1,022</b>
<b>Net Book Value</b>	
As at 30 June 2017	-
<b>As at 30 June 2018</b>	<b>1,117</b>

## SECTION C: BORROWINGS AND FINANCIAL INSTRUMENTS

This section provides details of Council's borrowings, a major source of funding used to deliver the services to the people of the Clutha District. This section also provides information of financial instruments such as derivatives acquired to mitigate some of the risks arising from the borrowings.

The notes included in this section are as follows:

- C1 Borrowings
- C2 Derivative financial instruments
- C3 Other financial assets
- C4 Fair value and classification of financial instruments

## C1 BORROWINGS



### Accounting policy

Borrowings are initially recognised at face value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

### External Borrowings

Council has no external borrowings.



### Local government disclosures

#### Internal borrowings

Internal borrowing occurs when an activity borrows from reserve funds held for another purpose. Internal borrowings are eliminated and not recorded in the financial statements. In relation to each group of activities, Council has incurred internal borrowings during the financial year to 30 June 2018, as reflected below:

Internal borrowings	Opening Balance 2017 \$000	Borrowed during the Year \$000	Funds Repaid in the Year \$000	Interest Paid in the Year for information \$000	Closing Balance 2018 \$000
Administration	184	-	9	7	175
Community Services	7,497	674	216	316	7,955
Community Leadership	1,472	571	50	80	1,993
Economic Development	310	-	8	12	302
Emergency Services	83	-	2	3	81
Water	5,563	-	249	218	5,314
Sewerage	2,643	214	129	103	2,728
Stormwater	418	-	31	16	387
Regulatory	181	-	15	7	166
Roading	7,665	-	305	301	7,360
<b>Total</b>	<b>26,016</b>	<b>1,459</b>	<b>1,014</b>	<b>1,063</b>	<b>26,461</b>



### Accounting policy

#### Financial Instruments

Financial assets and financial liabilities are recognised on the statement of financial position when Council becomes a party to contractual provisions of the instrument. Council is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, other financial assets, trade and other receivables, trade and other payables and borrowings. The relevant accounting policies are stated under separate headings.

#### Financial Assets

Financial assets are classified into the following specified categories:

- Financial assets 'at fair value through surplus or deficit',
- 'Available-for-sale' financial assets, and
- 'Loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method, referred to below, is a method of calculating the amortised cost of a financial asset and of allocating interest revenue over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### Financial Assets at Fair Value through Surplus or Deficit

Financial assets are classified as financial assets at fair value through surplus or deficit where the financial asset:

- Has been acquired principally for the purpose of selling in the near future;
- Is a part of an identified portfolio of financial instruments that Council manages together and has a recent actual pattern of short-term profit-taking; or
- Is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through surplus or deficit are stated at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Revenue and Expenditure. The net gain or loss is recognised in the Statement of Comprehensive Revenue and Expenditure and incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described later in this note.

Council has classified its managed funds, held with Nikko Asset Management (ANZ Investments), as financial assets at fair value through surplus or deficit. This fund includes bonds and tradable securities.

#### Available-for-Sale Financial Assets

Available-for-sale financial assets are those that are designated as fair value through other statement of comprehensive revenue or expenditure or are not classified in any of the other categories. This category encompasses investments that Council intends to hold long-term but which may be realised before maturity and equity securities held for strategic purposes.

Equity securities have been classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described later in this note. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve; with the exception interest calculated using the effective interest method and impairment losses which are recognised directly in the Statement of Comprehensive Revenue and Expenditure. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the Statement of Comprehensive Revenue and Expenditure for the period.

Dividends on available-for-sale equity securities are recognised in the Statement of Comprehensive Revenue and Expenditure when Council's right to receive payments is established.

#### Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. An allowance for doubtful debts is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is expensed in the Statement of Comprehensive Revenue and Expenditure.

Loans, including loans to community organisations made by Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Revenue and Expenditure as a grant.

Money Market Deposits are included within this classification.

#### Impairment of Financial Assets

Financial assets, other than those at fair value through surplus or deficit, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Revenue and Expenditure.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Revenue and Expenditure to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Financial Liabilities

- Trade and Other Payables

Trade payables and other accounts payable are recognised when Council becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

- Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Comprehensive Revenue and Expenditure over the period of the borrowing using the effective interest method.



## Derivative Financial Instruments

From time to time Council enters into certain derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps.

Council does not hold derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

Derivative instruments entered into by Council do not qualify for hedge accounting. The resulting gain or loss is recognised in the Statement of Comprehensive Revenue and Expenditure immediately.

There were no derivative financial instruments held by Council at 30 June 2018 or 30 June 2017.

- Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used for financial assets held by Council is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term investment and debt instruments held.

- Assets held for sale

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. 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 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.

Assets (including those that are part of a disposal) are not depreciated or amortised while they are classified as held for sale.



### Significant judgements and estimates used in the valuation of derivative financial instruments:

Council's derivatives are all under level 2 of the fair value hierarchy (see Note C4). The fair values of level 2 derivatives are determined using discounted cash flows valuation technique based on the terms and valuation inputs from independently sourced market parameters summarised below:

Item	Valuation input
Interest rate swaps	Forward interest rate yield curve

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>		
Cash and cash equivalents (AC)	1,217	1,314
Trade and other receivables – Loans and receivables (AC)	6,389	3,732
<b>Other Financial Assets</b>		
Fair value through surplus or deficit - held for trading (FVTPL)	25,520	22,971
Money market cash deposit (FVTPL)	-	-
ANZ – Term Deposit (FVTPL)	-	2,500
Available-for-sale financial assets (AFS)	52	52
<b>Financial Liabilities</b>		
Bank overdraft (AC)	-	-
Trade and other payables (AC)	7,029	4,337
Borrowings (AC)	-	-
Other Liabilities (AC)	58	61

AC – Amortised cost; FVTPL – Fair sale through surplus and deficit; AFS – Available for sale

### C3 OTHER FINANCIAL ASSETS



#### Accounting policy

Other financial assets 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.

Other financial assets include unit trusts, loans to related parties, credit support annex, bonds, borrower notes, community loans and listed and unlisted shares.

The accounting policies on classification of these financial assets for the purpose of measurement are outlined in Note C4.

	2018 \$000	2017 \$000
<b>At fair value through surplus or deficit classified as held for trading</b>		
<b>Current</b>		
Wholesale NZ Bond Fund – Unit Trusts - Nikko AM	3,660	3,331
Wholesale NZ Cash Fund – Unit Trusts - Nikko AM	1,852	1,719
Wholesale Core Equity Fund – Unit Trusts – Nikko AM	3,392	2,924
Wholesale Global Bond Fund – Unit Trusts – Nikko AM	7,001	6,430
Wholesale Global Equity Unhedged Fund – Unit Trusts – Nikko AM	5,271	4,507
Wholesale Global Equity Hedged Fund – Unit Trusts – Nikko AM	2,798	2,674
Wholesale Property Fund – Unit Trusts – Nikko AM	1,546	1,386
<b>Available-for-sale at fair value:</b>	<b>25,520</b>	<b>22,971</b>
<b>Non-Current</b>		
Equity Securities – Civic Assurance	52	52
<b>Current</b>		
ANZ – Term Deposit	-	2,500
	<b>25,572</b>	<b>25,523</b>
Disclosed in the financial statements as:		
Current	25,520	25,471
Non-current	52	52
	<b>25,572</b>	<b>25,523</b>

There are no impairment provisions for other financial assets.

## C4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS



### Accounting policy

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The carrying amount of financial assets and financial liabilities are recorded at amortised cost in the financial statements which approximates their fair values.

Fair value measurements recognised in the Statement of Comprehensive Revenue and Expenditure.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, reconciled into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- Refer to Note C2 and C3 for the valuation techniques used to value derivative financial instruments and other financial assets, respectively.

The fair value hierarchy for Council is as follows:

	Total	Quoted Market Price 2018 \$000	Observable Inputs 2018 \$000	Significant Non- observable Inputs 2018 \$000
<b>Financial assets at FVTPL</b>				
Wholesale NZ Bond Fund – Unit Trusts - Nikko AM	3,660	-	3,660	-
Wholesale NZ Cash Fund – Unit Trusts - Nikko AM	1,852	-	1,852	-
Wholesale Core Equity Fund – Unit Trusts – Nikko AM	3,392	-	3,392	-
Wholesale Global Bond Fund – Unit Trusts – Nikko AM	7,001	-	7,001	-
Wholesale Global Equity Unhedged Fund – Unit Trusts – Nikko AM	5,271	-	5,271	-
Wholesale Global Equity Hedged Fund – Unit Trusts – Nikko AM	2,798	-	2,798	-
Wholesale Property Fund – Unit Trusts – Nikko AM	1,546	-	1,546	-
<b>Available for sale financial assets</b>				
Equity Securities – Civic Assurance	52	-	-	52



## Accounting policy

For the purpose of measurement financial assets and liabilities are classified into categories. The classification depends on the purpose for which the financial assets and liabilities are held.

Management determines the classification of financial assets and liabilities and recognised these at fair value at initial recognition. Subsequent measurement and the treatment of gains and losses are presented below:

Categories	Subsequent measurement	Treatment of gains and losses
Fair value through surplus or deficit	Fair value	Surplus or deficit
Loans and receivables	Amortised cost less provision for impairment	Surplus or deficit
Available for sale financial assets	Fair value	Other comprehensive revenue and expenditure
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit
Held to maturity financial assets	Amortised cost less provision for impairment	Surplus or deficit

Council does have financial assets for purposes of trading. Council has listed shares and unit trusts that are designated on initial recognition at fair value through surplus or deficit. This is because the performances of these groups of assets are managed, and performance evaluated, on a fair value basis, in accordance with Council's investment management policy. Derivatives are, by their nature, categorised as held for trading unless they are designated into a hedge relationship for which hedge accounting is applied.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when offset is legally enforceable and there is an intention to settle on a net basis. Revenue and expenditures arising as a result of financial instrument earnings or fair value adjustments are recognised as a net result for like items.

## SECTION D: WORKING CAPITAL AND EQUITY

This section provides information about the operating assets and liabilities available to Council's day-to-day activities. This section also contains analysis of the net assets of Council, accumulated funds and restricted reserves.

The notes included in the following section are as follows:

- D1 Cash and cash equivalents
- D2 Receivables and prepayments
- D3 Payables and accruals
- D4 Employee entitlements
- D5 Provisions
- D6 Ratepayer equity
- D7 Non-current assets held for sale
- D8 Development property

## D1 CASH AND CASH EQUIVALENTS



### Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

	2018 \$000	2017 \$000
Cash and cash equivalents	1,217	1,314
Term deposits with maturities of less than three months at acquisition	-	-
<b>Total cash and cash equivalents</b>	<b>\$1,217</b>	<b>\$1,314</b>

The total value of cash and cash equivalents that can only be used for a specified purpose as outlined in the relevant Trust deeds is \$58 (2017: \$61).

## D2 RECEIVABLES AND PREPAYMENTS



### Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

### Fair Value

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

### Schedule of Receivables and Prepayments

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Trade and other receivables – see below	873	430
Rates receivable	823	936
	1,696	1,366
Allowance for doubtful debts – see below	(222)	(166)
<b>Net trade and other receivables</b>	<b>1,474</b>	<b>1,200</b>
NZTA Subsidy	4,915	2,532
<b>Total receivables and prepayments</b>	<b>6,389</b>	<b>3,732</b>
Disclosed in the financial statements as:		
Current	6,389	3,732
Non-current	-	-
<b>Total receivables and prepayments</b>	<b>6,389</b>	<b>3,732</b>
Receivables from non-exchange transactions:		
This includes outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates.	5,738	3,468
Receivables from exchange transactions:		
This includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.	651	264
	<b>6,389</b>	<b>3,732</b>

The age of these trade and other receivables that are past due, but are not impaired are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Past due 1 to 3 months	221	259
Past due 3 to 6 months	187	197
Past due 6 to 9 months	146	188
Past due 9 to 12 months	146	188
Past due > 12 months	200	149
Non-current	900	981
Current	796	385
	<b>1,696</b>	<b>1,366</b>



## Provision for impairment of receivables



### Accounting Policy

#### Assessment for uncollectability

Council does not normally provide for any uncollectability on rates receivable, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after due date for payment. If payment has not been made within three months of the Court's judgment, then Council can apply to the Registrar of the High Court to have the judgment 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 present value of future payments if the effect of discounting is material.

Council provides for impairment on rates receivables only for abandoned land and properties at rating sales with little chance of recovery.

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

The provision for uncollectability has been calculated based on a review of specific overdue receivables and a collective assessment. The collective assessment is based on an analysis of past collection history and debt write offs.

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor.

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

Other than NZTA, Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers. Council believes no further credit provision is required in excess of the allowance for doubtful debts.

#### Movement in the allowance for doubtful debts:

	2018 \$000	2017 \$000
Balance at Beginning of year	166	75
Amounts written off during the year	-	-
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in Statement of Financial Performance	56	91
<b>Doubtful debt provision balance at end of year</b>	<b>222</b>	<b>166</b>

### D3 PAYABLES AND ACCRUALS



#### Accounting policy

Current payables and accruals are recognised at cost. Current payables and accruals are non-interest bearing and normally settled on 30-day terms; therefore the carrying value approximates fair value. Non-current payables and accruals are measured at the present value of the estimated future cash outflows.

#### Payables and accruals

	2018 \$000	2017 \$000
<b>Payables and accruals under exchange transactions</b>		
Trade and sundry payables	6,270	3,354
Deposits and retentions	654	401
<b>Payables and accruals under non-exchange transactions</b>		
Rates in advance	-	295
GST Payable	105	287
<b>Total payables and accruals</b>	<b>7,029</b>	<b>4,337</b>

The average credit period on purchases is 30 days.

## D4 EMPLOYEE ENTITLEMENTS



### Accounting policy

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported at the present value of estimated future cash outflows.

### Employee entitlements

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Salary and wage accrual	197	122
Annual leave	367	299
Long service leave	9	9
Retirement gratuities	53	52
<b>Total employee entitlements</b>	<b>626</b>	<b>482</b>

## D5 PROVISIONS



### Accounting policy

Provisions are recognised in the Statement of Financial Position only where Council has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

Provisions are measured at the present value of the expected future cash outflows required to settle the obligation. The increase in the provision due to the passage of time is recognised as finance cost in surplus or deficit.



### Significant judgements and estimates

The management of the Mt Cooe landfill will influence the timing of recognition of some future liabilities. However, it is likely that the main restriction on the future use of the current site will be the statutory and regulatory limitations rather than the capacity of the site. It is anticipated that the site will cease operating when the current consent expires in October 2023. At the current rates of usage there will be significant volumetric capacity remaining in 2023.

The cash outflows for closed landfills are not expected to occur until 2026. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and using a discount rate of 6% (2017: 6%).

Other assumptions made in the calculation of the provision are:

- No major capital projects will be required at existing closed landfill sites and
- The Mt Cooe Landfill will close when the current consent expires in 2023.

### Landfill aftercare provision

	2018 \$000	2017 \$000
Balance at beginning of year	750	769
Finance costs – Discount unwind	6	5
Amounts used	(25)	(24)
<b>Balance at end of year</b>	<b>731</b>	<b>750</b>

## D6 EQUITY



### Accounting policy

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

- Accumulated funds;
- Restricted reserves;
- Property revaluation reserve; and
- Fair value through other comprehensive revenue and expenditure reserve.

### 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 Council.

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

Also included in restricted reserves are reserves restricted by Council decision. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

### Property revaluation reserve

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

### Fair value through other comprehensive revenue and expense reserve

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expenditure.

### Capital management

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.

Ratepayers' 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 Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, 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 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 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 Council's LTP.

Council has the following council-created reserves:

- Reserves for different areas of benefit;
- Self-insurance 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 from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance 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 Council.

Trust and bequest reserves are set up where 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.

## Reserves

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Available-for-sale revaluation reserve (a)	(25)	(25)
Asset revaluation reserve (b)	744,208	744,208
Trust Funds (c)	408	396
Reserves (d and e)	51,572	51,121
<b>Balance at end of year</b>	<b>796,163</b>	<b>795,700</b>
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>(a) Available-for-Sale Revaluation Reserve</b>		
Balance at beginning of year	(25)	(30)
Valuation gain/(loss) recognised		
- Equity securities	-	5
<b>Balance at end of year</b>	<b>(25)</b>	<b>(25)</b>

The available-for-sale revaluation reserve arises on the revaluation of equity securities. Where a revalued financial asset is sold, the portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in the Statement of Comprehensive Revenue and Expenditure. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the Statement of Comprehensive Revenue and Expenditure.

**(b) Asset Revaluation Reserve**

	2018 \$000	2017 \$000
<b>Balance at beginning of year</b>	<b>744,208</b>	<b>747,599</b>
Revaluation (decrease) / increase		
- Rooding revaluation	-	(8,277)
- Stormwater revaluation	-	486
- Wastewater revaluation	-	1,626
- Water revaluation	-	2,774
	-	(3,391)
<b>Balance at end of year</b>	<b>744,208</b>	<b>744,208</b>

The asset revaluation reserve arises on the revaluation of infrastructural assets. Where a revalued asset is sold, the portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to accumulated funds.

**Reconciliation of Revaluation Reserve**

	Rooding \$000	Stormwater \$000	Wastewater \$000	Water \$000	Total \$000
<b>Balance at 30 June 2016</b>	<b>685,400</b>	<b>6,197</b>	<b>25,008</b>	<b>30,994</b>	<b>747,599</b>
Revaluation increase /(decrease)	(8,277)	486	1,626	2,774	(3,391)
<b>Balance at 30 June 2017</b>	<b>677,123</b>	<b>6,683</b>	<b>26,634</b>	<b>33,768</b>	<b>744,208</b>
Revaluation increase / (decrease)	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>677,123</b>	<b>6,683</b>	<b>26,634</b>	<b>33,768</b>	<b>744,208</b>

**(c) Trust Funds (restricted)**

	2018 \$000	2017 \$000
<b>Balance at beginning of year</b>	<b>396</b>	<b>377</b>
Transfer from/(to) accumulated comprehensive revenue and expenditure		
- Transfer from accumulated comprehensive revenue and expenditure	12	19
- Transfer to accumulated comprehensive revenue and expenditure	-	-
<b>Balance at end of year</b>	<b>408</b>	<b>396</b>

Trust Funds relate to funds that have been provided to Council by various people for specific purposes.



### Local government disclosures

The restricted reserve funds held by Council during the year are as follows:

Fund	Type/ Purpose	Opening Balance 2017 \$000	Transfers into the reserve \$000	Interest Allocated	Transfers out of the reserve \$000	Closing Balance 2018 \$000
<b>Community Leadership</b>		<b>428</b>	<b>-</b>	<b>12</b>	<b>32</b>	<b>408</b>
Tapanui Domain Trust	Trust	14	-	-	-	14
Butler Trust	Trust	-	-	-	-	-
Milton Brass Band	Trust	1	-	-	-	1
O'Hara Sports Trust	Trust	2	-	-	-	2
JD Swan Estate	Trust	8	-	1	-	9
George Melville Estate	Trust	148	-	4	-	152
Kate Leslie Trust	Trust	110	-	3	-	113
Elderly Citizens Trust (Lawrence)	Trust	29	-	1	-	30
Clinton Endowment Land	Trust	84	-	3	-	87



**(d) Reserves**

	\$000	\$000
<b>Balance at beginning of year</b>	<b>51,121</b>	<b>37,765</b>
Transfer from/(to) accumulated comprehensive revenue and expenditure		
- Transfer from accumulated comprehensive revenue and expenditure	9,307	6,324
- Transfer to accumulated comprehensive revenue and expenditure	(9,152)	(4,514)
- Additional reserves created	-	11,546
- Investment Fund Balance	296	-
<b>Balance at end of year</b>	<b>51,572</b>	<b>51,121</b>
<b>Restatement of Opening Balance</b>		
<b>Closing Balance as reported</b>	<b>-</b>	<b>39,575</b>
Additional Reserves Created		
- Serdel Externally Invested	-	4,773
- Forestry Fund Externally Invested	-	5,312
- Investment Fund Balance	-	1,461
<b>Closing Balance at end of year restated</b>	<b>-</b>	<b>51,121</b>

**(d) Reserve Funds** **Local government disclosures**

The reserve funds held by Council during the year are as follows:

<b>Fund</b>	<b>Type/ Purpose</b>	<b>Opening Balance 2017 \$000</b>	<b>Transfers into the reserve \$000</b>	<b>Interest Allocated</b>	<b>Transfers out of the reserve \$000</b>	<b>Closing Balance 2018 \$000</b>
<b>Community Leadership</b>		<b>428</b>	<b>-</b>	<b>12</b>	<b>32</b>	<b>408</b>
Election Fund	Spec	67	-	2	-	69
Lawrence/Tuapeka Community Board	Spec	32	-	1	-	33
West Otago Community Board	Spec	100	-	3	-	103
Tuapeka Bursary	Spec	35	-	1	-	36
Economic Development	Spec	25	-	1	-	26
Clutha Gold Trail	Spec	91	-	2	32	61
Opportunities Fund	Spec	67	-	2	-	69
Signage	Spec	7	-	-	-	7
Welcome to Signage	Spec	4	-	-	-	4
<b>Internal Services</b>		<b>1,661</b>	<b>427</b>	<b>35</b>	<b>919</b>	<b>1,204</b>
Information Technology	Depn	(121)	157	(21)	723	(708)
Office Computer Equipment	Spec	83	-	3	-	86
Rosebank Terrace Main Office	Depn	638	12	18	64	604
Underground Insurance	Spec	177	54	7	-	238
Human Resources	Spec	18	-	1	-	19
Cars	Spec	571	204	19	132	662
Gratuities	Spec	70	-	2	-	72
G.I.S.	Spec	80	-	2	-	82
District Assets Infrastructure	Spec	1	-	-	-	1
Policy and Communication	Spec	144	-	4	-	148
<b>Roading</b>		<b>5,850</b>	<b>652</b>	<b>195</b>	<b>-</b>	<b>6,697</b>
Roading	Depn	4,357	652	150	-	5,159
Roading – Bridge Lights	Spec	40	-	1	-	41
Balclutha Main Street	Spec	54	-	2	-	56
Deferred Roading	Depn	1,399	-	42	-	1,441
<b>Water</b>		<b>8,563</b>	<b>1,693</b>	<b>204</b>	<b>3,463</b>	<b>6,997</b>
Urban	Depn	1,678	674	14	1,900	466
Urban	Spec	375	-	11	-	386
Balmoral No. 1	Depn	344	29	11	-	384



## Local government disclosures

The reserve funds held by Council during the year are as follows:

Fund	Type/ Purpose	Opening Balance 2017	Transfers into the reserve	Interest Allocated	Transfers out of the reserve	Closing Balance 2018
Balmoral No. 1	Spec	29	-	1	-	30
Balmoral No. 2	Depn	357	57	4	272	146
Balmoral No. 2	Spec	125	-	4	-	129
Clydevale/Pomahaka	Depn	351	114	11	82	394
Glenkenich	Depn	426	108	14	62	486
Glenkenich Rural Water Scheme	Spec	1	-	-	-	1
Moa Flat	Depn	813	120	18	348	603
Moa Flat Rural Water Scheme	Spec	2	-	-	-	2
North Bruce	Depn	468	103	16	53	534
Richardson	Depn	699	114	20	140	693
Richardson Rural Water Scheme	Spec	476	-	14	-	490
South Bruce	Depn	325	23	10	8	350
Tuapeka RWS	Depn	380	76	1	432	25
Tuapeka RWS	Spec	-	-	-	-	-
Waipahi	Depn	238	29	6	66	207
Waitahuna	Depn	248	46	7	57	244
Wangaloa	Depn	130	13	4	18	129
Stirling Treatment Plant	Depn	177	35	6	25	193
Stirling Water Treatment	Spec	164	-	5	-	169
Kaitangata Treatment Plant	Depn	178	39	7	-	224
Wangaloa Plant Renewal	Spec	15	-	-	-	15
Telemetry	Depn	404	113	15	-	532
Telemetry	Spec	160	-	5	-	165
<b>Sewerage</b>		<b>8,371</b>	<b>819</b>	<b>204</b>	<b>2,360</b>	<b>7,034</b>
Sewerage	Depn	7,531	819	180	2,360	6,170
Sewerage	Spec	840	-	24	-	864
<b>Stormwater</b>		<b>2,098</b>	<b>264</b>	<b>58</b>	<b>445</b>	<b>1,975</b>
Stormwater	Depn	2,076	264	57	445	1,952
Stormwater	Spec	22	-	1	--	23
<b>Waste Management</b>		<b>1,877</b>	<b>55</b>	<b>58</b>	<b>-</b>	<b>1,990</b>
Solid Waste	Depn	1,877	55	58	-	1,990
<b>Community Services</b>		<b>5,094</b>	<b>503</b>	<b>157</b>	<b>266</b>	<b>5,488</b>



## Local government disclosures

The reserve funds held by Council during the year are as follows:

Fund	Type/ Purpose	Opening Balance 2017	Transfers into the reserve	Interest Allocated	Transfers out of the reserve	Closing Balance 2018
Libraries	Depn	31	130	1	113	49
Service Centres	Depn	101	16	4	-	121
Service Centres	Spec	216	-	6	-	222
Balclutha Pool	Depn	11	50	1	19	43
Kaitangata Pool	Depn	193	-	6	-	199
Kaitangata Pool	Spec	77	-	2	-	79
Lawrence Pool	Depn	126	-	4	-	130
Lawrence Pool	Spec	44	-	1	-	45
Milton Pool	Depn	(6)	24	-	17	1
Reserve Contributions	Spec	51	-	2	-	53
Parks and Reserves	Depn	87	15	3	-	105
Sports Grounds	Depn	241	-	7	-	248
Grandstand 2000	Depn	141	-	4	-	145
Cemetery	Depn	144	20	5	-	169
Cemeteries	Spec	477	-	14	-	491
Kaitangata Cemetery	Spec	13	-	-	-	13
Lawrence Cemetery	Spec	27	-	1	-	28
Public Conveniences	Depn	231	48	8	-	287
Balclutha Town Hall	Depn	384	46	13	-	443
Balclutha Town Hall	Spec	164	-	5	-	169
Milton Civic Centre	Depn	14	-	-	-	14
Kaitangata Hall	Depn	26	-	1	-	27
Clutha Valley Hall	Depn	69	3	2	-	74
Hillend Hall	Depn	21	3	1	-	25
Kaka Point	Depn	27	7	1	-	35
Lovells Flat	Depn	12	-	-	-	12
Moneymore	Depn	9	-	-	-	9
Owaka Hall	Depn	60	3	2	-	65
Waihola Hall	Depn	4	-	-	-	4
Waipahi Hall	Depn	14	1	-	-	15
Waitahuna Hall	Depn	94	4	3	-	101
Waiwera Hall	Depn	7	-	-	-	7
Various Halls	Depn	134	-	4	-	138
Naish Park Camping Ground	Depn	33	10	1	4	40
Kaka Point Camping Ground	Depn	51	10	2	-	63
Taylor Park Camping Ground	Depn	55	1	2	-	58
Pounaweia Camping Ground	Depn	19	7	-	22	4
Waihola Camping Ground	Depn	6	-	-	-	6
Community Housing	Depn	593	105	18	91	625



## Local government disclosures

The reserve funds held by Council during the year are as follows:

Fund	Type/ Purpose	Opening Balance 2017	Transfers into the reserve	Interest Allocated	Transfers out of the reserve	Closing Balance 2018
Endowment Land	Spec	558	-	17	-	575
Depots	Depn	331	-	10	-	341
Other Property	Depn	118	-	4	-	122
Dunrobin Recreation Reserve*	Spec	66	-	2	-	68
Parkhill Recreations Reserve Board*	Spec	4	-	-	-	4
Waikoikoi Domain Board*	Spec	16	-	-	-	16
<b>Regulatory and Emergency Services</b>		<b>35</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>44</b>
Animal Control	Depn	10	2	-	-	12
Civil Defence and Emergency	Depn	23	6	1	-	30
Rural Fire	Depn	2	-	-	-	2
<b>Funds Not Specifically Allocated to an Activity Council</b>		<b>17,144</b>	<b>1,461</b>	<b>2,797</b>	<b>1,667</b>	<b>19,735</b>
General Funds	Spec	1,008	1,461	1,030	206	3,293
Serdel – Externally Invested	Spec	4,773	-	-	-	4,773
Forestry Fund – Externally Invested	Spec	5,312	-	416	-	5,728
Investment Fund Balance	Spec	1,461	-	-	1,461	-
Rates Disbursement Reserve	Spec	-	-	788	-	788
Treasury Return to Balance Reserve	Spec	-	-	422	-	422
Education Fund	Spec	13	-	-	-	13
Land and Buildings	Spec	189	-	6	-	195
Emergency Fund	Spec	4,162	-	128	-	4,290
Capital Works and Purchases	Spec	133	-	4	-	137
Bulb Growing Project	Spec	25	-	1	-	26
Lawrence Heritage	Spec	26	-	1	-	27
Milton Pipe band	Spec	14	-	-	-	14
Momona Airport Refund	Spec	28	-	1	-	29
<b>Unrestricted Reserves</b>		<b>51,121</b>	<b>5,882</b>	<b>3,721</b>	<b>9,152</b>	<b>51,572</b>

\*Council holds funds on behalf of 3 Recreation Reserve/Domain Boards.

**Accumulated Comprehensive Revenue and Expenditure**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Balance at beginning of year</b>	<b>224,709</b>	<b>235,400</b>
Net Surplus for the year	2,557	2,684
Transfer from/(to)		
- Transfer from Reserves	9,152	4,514
- Additional reserves created	-	(11,546)
- Transfer to Reserves to balance investments	(296)	-
- Transfer to Reserves	(9,307)	(6,324)
- Transfer to Trust Funds	(12)	(19)
<b>Balance at end of year</b>	<b>226,803</b>	<b>224,709</b>

## D7 NON-CURRENT ASSETS HELD FOR SALE



### Accounting policy

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

Gains or losses arising from a change in fair value less estimated costs to sell are recognised in the surplus or deficit. Forestry maintenance costs are recognised in the surplus or deficit when incurred. Any impairment losses for write-downs 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 are not depreciated or amortised while they are classified as held for sale.



### Significant judgements and estimates

Forestry is revalued annually using a method widely accepted as the industry standard. The approach taken is from a prospective purchaser's perspective. A discount rate is used to calculate the present values of costs and revenues net of tax.

	Notes	2018 \$000	2017 \$000
<b>Reconciliation of changes in carrying amount</b>			
Balance at beginning of year		317	3,271
Decrease due to sales		-	(3,016)
Increase due to land transferred in		11	-
Gains arising from changes in fair value less estimated costs to sell attributable to price changes		92	62
<b>Balance at end of year</b>		<b>420</b>	<b>317</b>

Council has 42.1 hectares (2017: 42.1 hectares) of pinus radiata, macrocarpa and douglas fir forest, which are at varying stages of maturity ranging from 13 to 31 years.

There are no restrictions on the forestry assets.

### Valuation assumptions

Independent registered valuers, Forme Consulting Limited, have valued forestry assets as at 30 June 2018. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs, and silviculture costs and takes into consideration environmental, operational, and market restrictions. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- A discount rate of 8% (2017: 8.0%) has been used in discounting the present value of expected future cash flows;
- Notional land rental costs have been included for freehold land of \$80 a hectare;
- The forest 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; and

- Log prices are based on a three-year historical rolling average.

#### Financial Risk Management Strategies

Council is exposed to financial risks arising from changes in timber prices. Council was a long-term forestry investor. Council 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.

Council has approved the divestment of forestry assets and made significant disposals in the 2017 year. The other forests are also earmarked for divestment. Council is exposed to financial risks arising from this, but is mitigating these with independent advice, including a marketing plan.

#### **Carbon Credits**

New Zealand has entered into numerous agreements to reduce greenhouse gases to below 1990 levels. The Emissions Trading Scheme (ETS) is a tool to reduce greenhouse gas emissions by charging for units above 1990 levels. Forestry acts as a carbon sink as the trees absorb CO<sub>2</sub> produced by landfill operations and store the gases in their trunks. The primary unit of trade is a New Zealand Unit (NZU) which represents one ton of CO<sub>2</sub> equivalent emissions which are sometimes called carbon credits. NZUs are considered a medium of exchange backed by Government and are classified as intangible assets.

Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at nil value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations caused by its landfill methane emissions due to the breakdown of organic waste. As Council sold some forests in 2017 transfers of NZUs was required to the buyers.

Council considers that there is no impairment of carbon credits held, as they are expected to be fully utilised in satisfying carbon obligations from its landfill operations.

Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit for as long as the Emissions Trading Scheme is in place.

<b>Carbon Credit Reconciliation</b>	<b>2018</b>	<b>2017</b>
	<b>NZUs</b>	<b>NZUs</b>
<b>Opening Balance</b>	<b>27,223</b>	<b>58,967</b>
Add Forestry Growth	3,342	4,341
Less Used for Landfill Emissions	(7,608)	(5,118)
Less Transferred out on Forestry Sales	-	(30,967)
<b>Closing Balance</b>	<b>22,957</b>	<b>27,223</b>

The above carbon credits have a fair value of \$488k (2017: \$453k).



## D8 DEVELOPMENT PROPERTY



### Accounting policy

Development Properties are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for the development properties less all estimated costs to make the sale.

	2018 \$000	2017 \$000
<b>ROSEBANK INDUSTRIAL SITE</b>		
Opening Balance	999	732
Plus: Additions in current year	602	547
Less: Amounts expensed due to sale	(1,576)	(280)
Closing Balance	25	999
<b>PLANTATION HEIGHTS</b>		
Opening Balance	4,063	38
Plus: Additions in current year	516	4,025
Less: Amounts expensed due to sale	(1,050)	-
Closing Balance	3,529	4,063
<b>TAPANUI SUBDIVISION</b>		
Opening Balance	161	-
Plus: Additions in current year	2	226
Less: Amounts expensed due to sale	(17)	(65)
Closing Balance	146	161
<b>OTHER</b>		
Opening amount capitalised	-	8
Less: Amounts expensed due to sale	-	(8)
Closing Balance	-	-
<b>Total</b>	<b>3,700</b>	<b>5,223</b>

## SECTION E: FINANCIAL RISK MANAGEMENT

This section provides information on how Council is exposed to a variety of financial risks (market risk, credit risk and liquidity risk) and how these risks are managed under the Policy on Treasury Management approved by Council which incorporates a liability management policy and investment policy.

Council's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Council does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The following are the financial risks significant to Council:

- E1 Interest rate risk
- E2 Equity price risk
- E3 Credit risk
- E4 Liquidity risk
- E5 Foreign exchange risk

## **E1 INTEREST RATE RISK**

### **Risk exposure**

Interest rate risk is the risk that the actual interest expenditure will be significantly different to the projected interest expenditure in the Annual Plan and LTP 2015/2025. Interest rate risk refers to the impact that interest rate changes have on an organisation's financial performance. Council prefer predictable finance revenue and costs to minimise the risk of adverse movements impacting the surplus or deficit.

### **Risk management**

Council is exposed to interest rate risk as it has bonds, notes and cash investments held for trading as part of its managed funds held with Nikko Asset Management. The risk is managed by the diversification of Council's investment portfolio in accordance with the limits set out in the treasury management policy and resolutions.

Council's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section.

### **Sensitivity Analysis**

Council is exposed to interest rate risk arising from bonds, notes and cash investments held for trading as part of its managed funds held with Nikko Asset Management.

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 10% lower or higher and all other variables were held constant, Council's:

- Surplus would decrease/increase by \$106k (2017: \$2k). This is mainly attributable to Council's exposure to interest rates on its investments within its managed funds held with Nikko Asset Management.
- Other equity reserves would remain unaffected.
- Council's sensitivity to interest rates has changed due to investment in Nikko funds.
- The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

## **E2 EQUITY PRICE RISK**

At reporting date, if equity prices had been 10% higher or lower and all other variables were held constant, Council's:

- Surplus would remain unchanged.
- Other equity reserves would increase / decrease by \$1,489 (2017:\$1,324) as the equity investments are classified as available for sale investments.

Council's sensitivity to equity prices has increased with the move to the Nikko investment.

### **Risk exposure**

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Council is exposed to price risks arising from tradable non-equity investments. Council also holds equity securities which are designated as available-for-sale.

### **Risk management**

This price risk is managed by diversification of Council's investment portfolio in accordance with the limits set out in the treasury management policy.

### **Measurement of risk**

Council measures the risk through sensitivity analysis which is calculated based on a reasonably possible movement in the relevant unit price or listed share price of the unit trusts and listed share investments held by the entity.

## E3 CREDIT RISK

### Risk exposure

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Credit risk arises from cash and cash equivalents, deposits with banks, credit exposures to receivables, related party loans, financial guarantees as well as derivative financial instruments and other financial assets.

### Maximum exposure to credit risk

Other than NZTA, the Council has no significant concentrations of credit risk arising from trade receivables, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

With respect to Other Financial Assets, credit risk is reduced by the number of securities held with different counterparties.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents Council's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### Risk management

Council's treasury management policy includes parameters for investing in financial institutions and other organisations including where applicable entities that have the required Standard and Poor's credit ratings.

### Maturity Profiles of Financial Liabilities

The following tables detail Council's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those liabilities except where Council anticipates that the cash flow will occur in a different period.

2018	Weighted Average Effective Interest Rate %	Fixed Maturity Dates						Non Interest Bearing	Total
		Less than 1 year \$000	1-2 Years \$000	2-3 Years \$000	3-4 Years \$000	4-5 Years \$000	5+ Years \$000		
<b>Financial liabilities:</b>									
Trade and other payables	-	-	-	-	-	-	-	7,029	7,029
Borrowings	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	58	58
<b>Total</b>	-	-	-	-	-	-	-	<b>7,087</b>	<b>7,087</b>

2017	Weighted Average Effective Interest Rate %	Fixed Maturity Dates						Non Interest Bearing	Total
		Less than 1 year \$000	1-2 Years \$000	2-3 Years \$000	3-4 Years \$000	4-5 Years \$000	5+ Years \$000		
<b>Financial liabilities:</b>									
Trade and other payables	-	-	-	-	-	-	-	4,337	4,337
Borrowings	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	61	61
<b>Total</b>	-	-	-	-	-	-	-	<b>4,398</b>	<b>4,398</b>

The above table also represents the maturity dates of the underlying securities.

## E4 LIQUIDITY RISK

### Risk exposure

Liquidity risk is the risk that Council will encounter difficulty in raising liquid funds to meet commitments as they fall due.

### Risk management

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets, the availability of funding through diversified sources and an adequate amount of committed credit facilities and the ability to close out market positions.

Council manages liquidity risk by maintaining adequate funds on deposit, reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. There are also additional undrawn facilities that Council has at its disposal to further reduce liquidity risk.

### Borrowing Facilities

Secured bank overdraft facility with Westpac Banking Corporation, payable at call.

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Amount used	-	-
Amount unused	250	250
	<b>250</b>	<b>250</b>
Multi Option Credit Facility with Westpac Banking Corporation (secured by a negative pledge over rates)		
Amount used	-	-
Amount unused	3,000	3,000
	<b>3,000</b>	<b>3,000</b>

## **E5 FOREIGN EXCHANGE RISK**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council is not exposed to current risk, as it does not enter into foreign currency transactions.

## SECTION F: OTHER DISCLOSURES

This section provides other financial information that will enhance clarity and understanding of this financial report.

The notes included in this section are as follows:

- F1 Contingencies, commitments and subsequent events
- F2 Funding Impact Statement



## F1 CONTINGENCIES, COMMITMENTS AND SUBSEQUENT EVENTS



### Accounting Policy

Contingent liabilities and contingent assets are not recognised in the financial statements due to their uncertainty or the fact that they cannot be reliably measured. Disclosures are provided for as follows:

- Contingent liabilities are disclosed unless the possibility that these will crystallise is remote.
- Contingent assets are only disclosed when the possibility that these will crystallise is probable.

### Contingent liabilities and assets

Council has no contingent liabilities or contingent assets (2017 Nil).

### Expenditure commitments - Non- cancellable contracts

	2018 \$000	2017 \$000
Not later than 1 year	7,972	7,042
Later than 1 year, less than 5 years	9,370	5,535
Later than 5 years	-	-
	<b>17,342</b>	<b>12,577</b>

### Lease Commitments



### Accounting Policy

Leases which effectively transfer to the lessee substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases.

**(a) Council as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of Council's net investment in the leases. Finance lease revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on Council's net investment outstanding in respect of the leases.

Rental revenue from operating leases is recognised on a straight line basis over the term of the relevant lease.

**(b) Council as Lessee**

Assets held under finance leases are recognised as assets of Council at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to the Statement of Comprehensive Revenue and Expenditure on a straight line basis over the term of the relevant lease.

**(c) Lease Incentives**

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

**Leasing Arrangements - Photocopier equipment leases.**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Non-Cancellable Operating Lease Payments</b>		
No longer than 1 year	4	4
Longer than 1 year and not longer than 5 years	2	6
Longer than 5 years		
	<b>6</b>	<b>10</b>

**Subsequent events**

Subsequent to balance date the largest forest in non-current assets held for sale was sold for \$670k. There were no other significant events subsequent to balance date.

## F2 FUNDING IMPACT STATEMENT – WHOLE OF COUNCIL

For the Year ended 30 June 2018

(\$000)	2018 Budget	2018 Actual	2017 Budget	2017 Actual
<b>SOURCES OF OPERATING FUNDING</b>				
General rates, UAGC's, rates penalties	5,344	4,900	4,931	4,969
Targeted rates	20,541	20,427	20,314	19,967
Subsidies and grants for operating purposes	3,144	4,350	3,120	3,591
Fees and charges	4,647	3,909	3,812	3,552
Interest and Dividends from Investments	850	556	704	225
Fuel tax, fines, infringement fees and other receipts	-	203	-	-
<b>Total operating funding</b>	<b>34,526</b>	<b>34,345</b>	<b>32,881</b>	<b>32,304</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>				
Payments to staff and suppliers	25,561	28,106	25,291	25,833
Finance costs	-	6	-	5
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding</b>	<b>25,561</b>	<b>28,112</b>	<b>25,291</b>	<b>25,838</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING</b>	<b>8,965</b>	<b>6,233</b>	<b>7,590</b>	<b>6,466</b>
<b>SOURCES OF CAPITAL FUNDING</b>				
Subsidies and grants for capital expenditure	5,730	5,051	6,833	5,584
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	574	-	7,573
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding</b>	<b>5,730</b>	<b>5,625</b>	<b>6,833</b>	<b>13,157</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>				
Capital expenditure to meet additional demand	-	1,473	-	-
Capital expenditure to improve the level of service	12,320	4,803	9,342	5,477
Capital expenditure to replace existing assets	15,456	10,883	14,497	7,993
(Increase) decrease in reserves	74	(7,801)	8	7,532
(Increase) decrease of investments	(13,155)	2,500	(9,424)	(1,379)
<b>Total applications of capital funding</b>	<b>14,695</b>	<b>11,858</b>	<b>14,423</b>	<b>19,623</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING</b>	<b>(8,965)</b>	<b>(6,233)</b>	<b>(7,590)</b>	<b>(6,466)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See various activity funding impact statements for narrative on capital expenditure.

## SECTION G: FINANCIAL REPORTING AND PRUDENCE

### BENCHMARKS

#### Annual Report disclosure statement for the year ending 30 June 2018

##### **What is the purpose of this statement?**

The purpose of this statement is to disclose Council's financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenditures, assets, liabilities and general financial dealings.

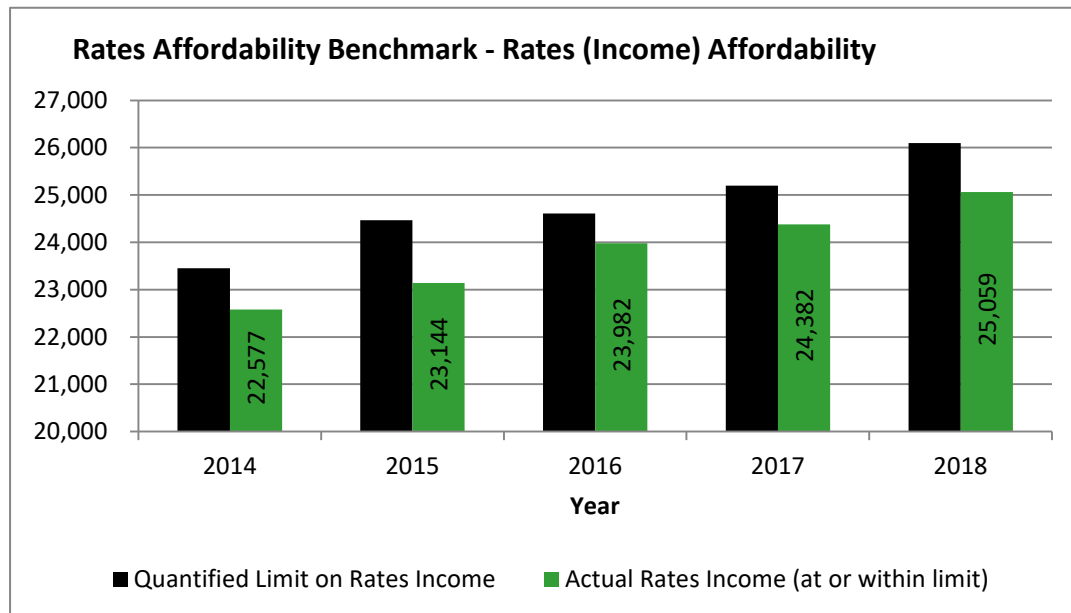
Unless prescribed by the regulations, the quantified limit for each benchmark is calculated using financial information disclosed in the LTP 2015/2025 including the prospective financial statements.

## RATES (REVENUE) AFFORDABILITY BENCHMARK

Council meets the rates affordability benchmark if:

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

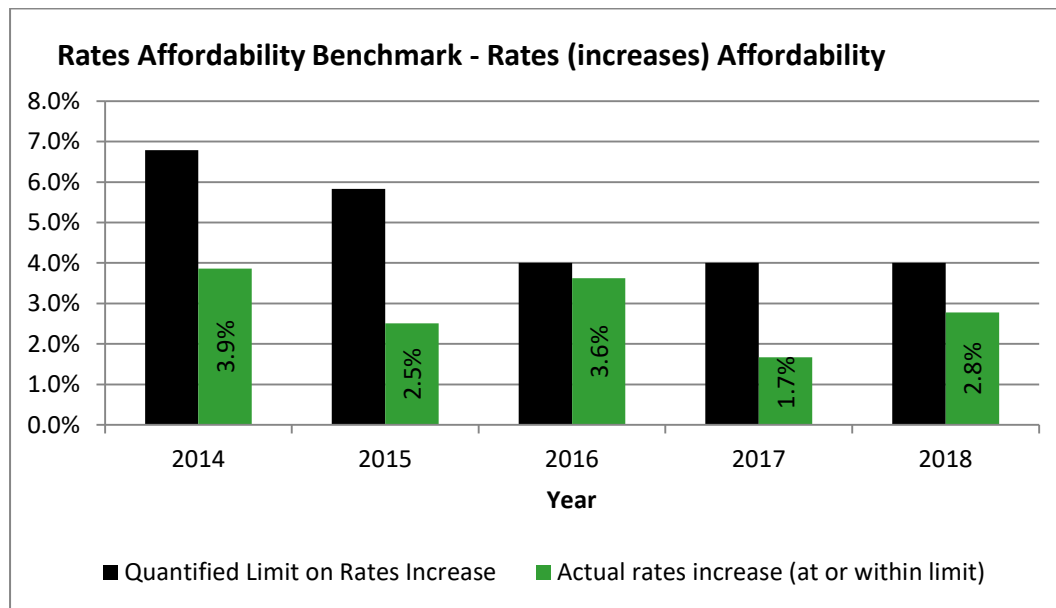
The following graph compares Council's actual rates revenue with a quantified limit on rates contained in the financial strategy included in Council's 2015/25 long term plan.



Council rates have not exceeded the rates revenue limits set.

## RATES (INCREASES) AFFORDABILITY

The following graph compares Council's actual rates increase percentages with a quantified limit on rates percentage increases included in the financial strategy included in Council's 2015/25 long term plan.

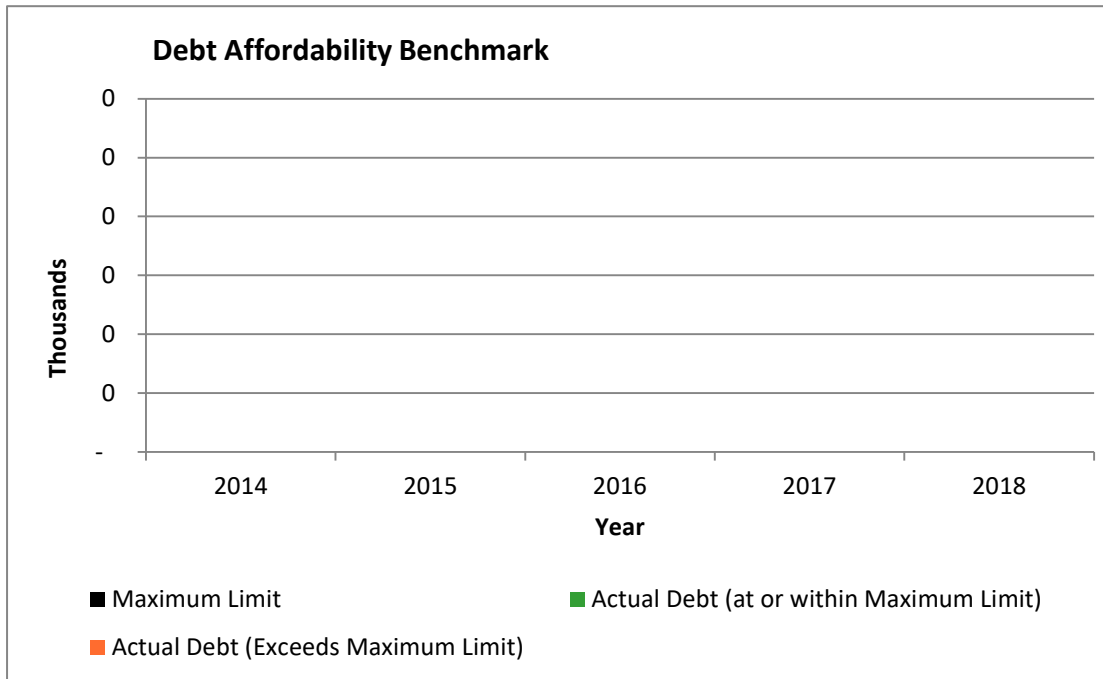


Council rates have not exceeded the percentage increase limits set.

## DEBT AFFORDABILITY BENCHMARK

Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph would compare Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's 2015/25 long term plan. Council did not budget for any external debt in the financial strategy.

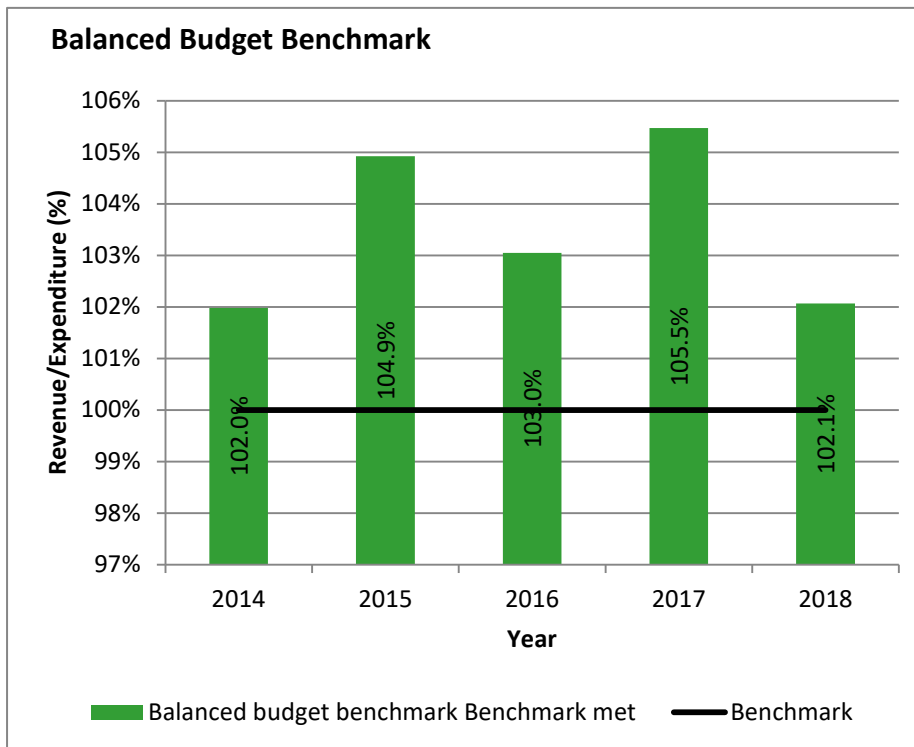


Council had no external public debt and has complied with its debt affordability benchmark.

## BALANCED BUDGET BENCHMARK

The following graph displays 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 expenditures (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

Council meets this benchmark if its revenue equals or is greater than its operating expenditures.

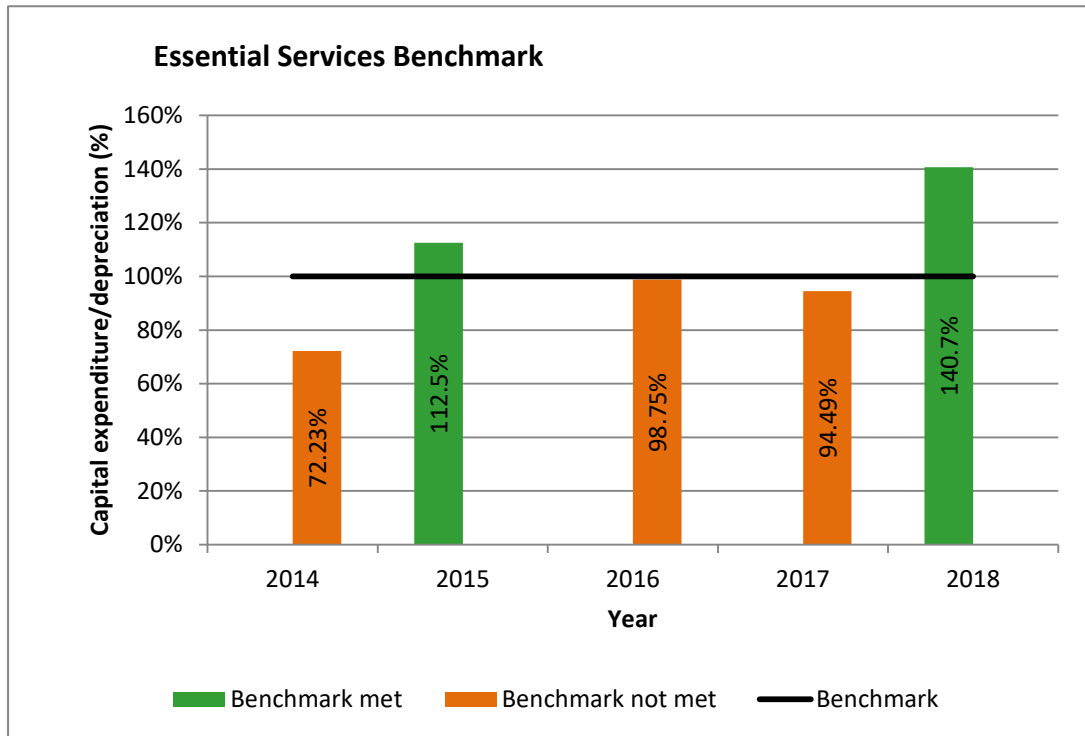


Council has met this benchmark.



## ESSENTIAL SERVICES BENCHMARK

The following graph displays Council's capital expenditure on network services as a proportion of depreciation on network services. Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. Network services means infrastructure related to water services and roading.

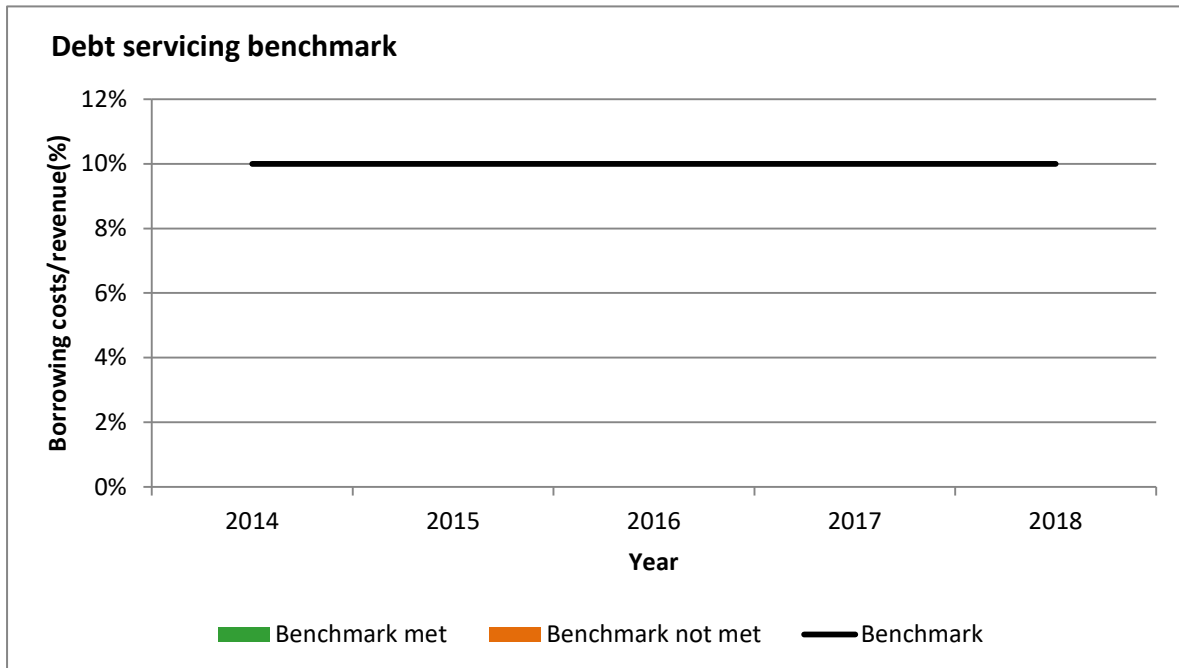


Council has met this benchmark.

## DEBT SERVICING BENCHMARK

The following graph displays 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, or equipment).

Because statistics New Zealand projects 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.



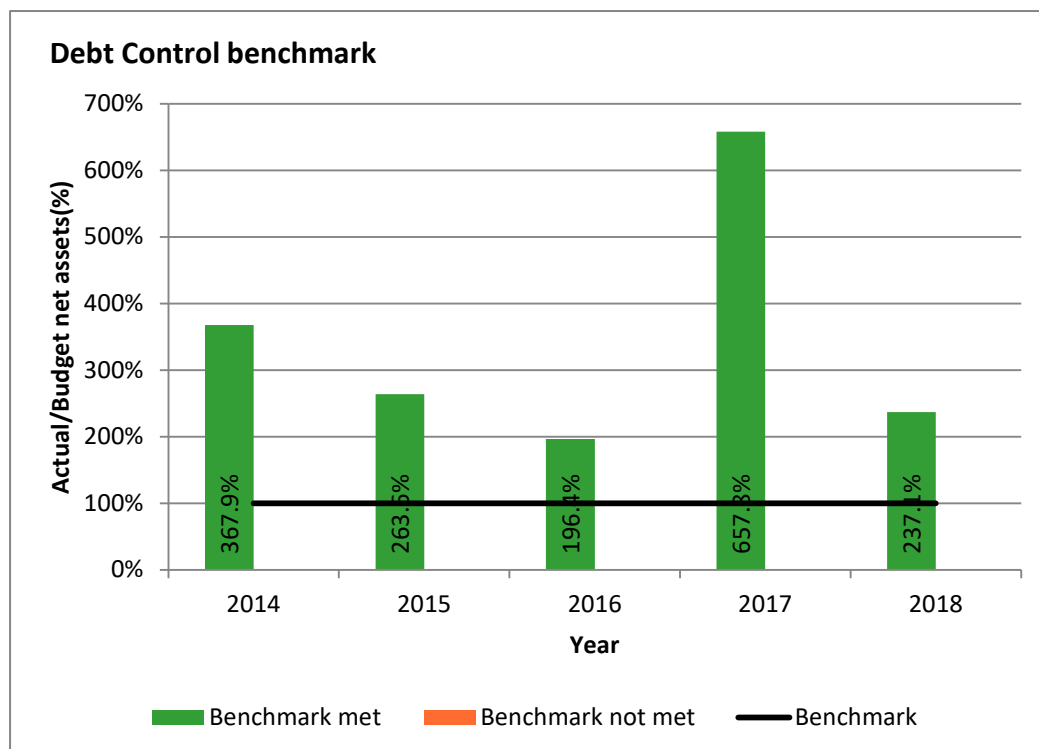
Council has no external public debt, and consequently no borrowing costs.

## DEBT CONTROL BENCHMARK

This benchmark is intended to report Council's performance in relation to net debt, which is defined in the regulations as financial liabilities less financial assets (excluding Trade and Other Receivables).

Council is in a net asset position, because its financial assets exceed its financial liabilities. For that reason, the benchmark has been inverted to report Council's performance on a net assets basis.

In this scenario, Council believes that it meets the debt control benchmark when actual net assets equal or exceed planned net assets.



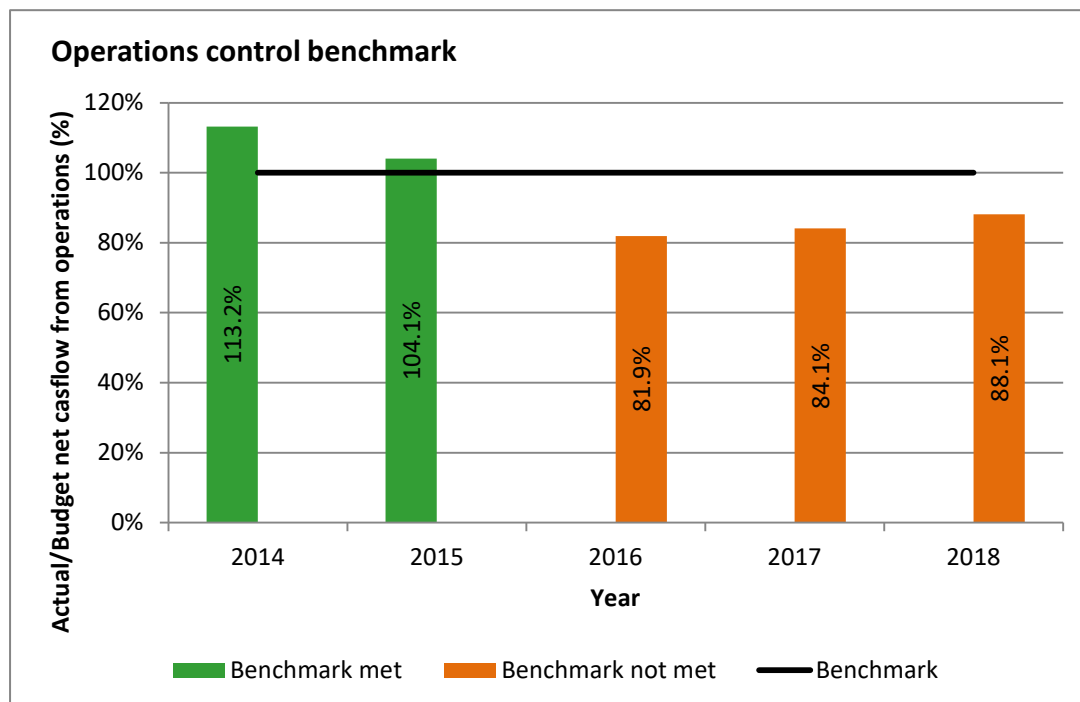
Council has met this benchmark.

Under expenditure on planned capital projects has meant financial assets are higher than budgeted.

## OPERATIONS CONTROL BENCHMARK

This graph displays Council's actual net cashflow from operations as a proportion of its planned net cashflow from operations.

Council meets the operations control benchmark if its actual net cashflow from operations equals or is greater than its planned net cashflow from operations.



Council did not meet this benchmark mainly due to not completing the capital programme and timings between the NZTA claim and contract payments.