

YOUR COMMUNITY - YOUR COUNCIL

ANNUAL REPORT 2018/19



Clutha District Council

COUNCIL'S REPORTING DOCUMENTS

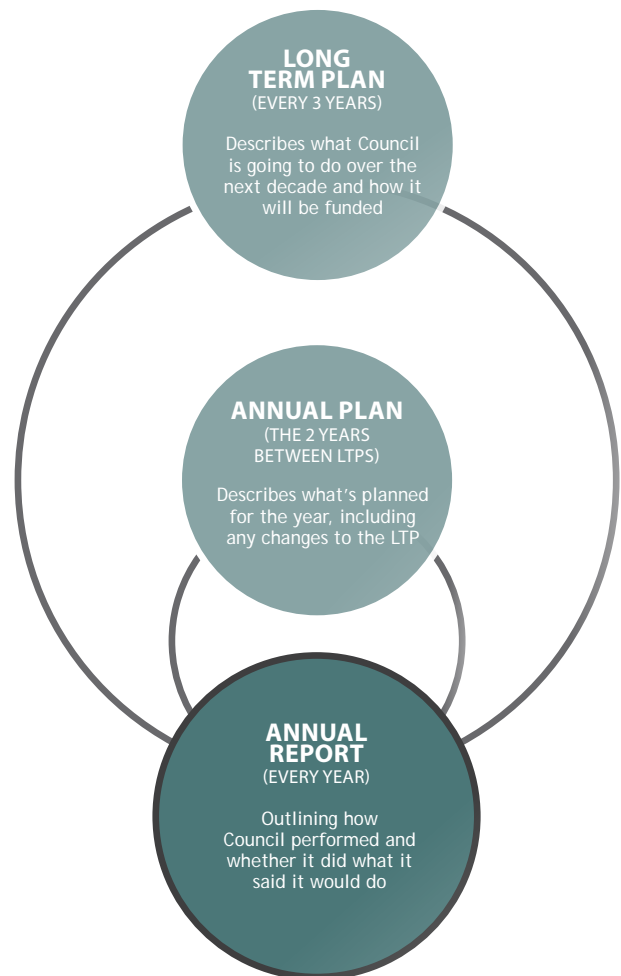
COUNCIL USES A NUMBER OF PLANNING PROCESSES TO REALISE ITS VISION FOR THE DISTRICT AND TO HELP PROVIDE ACCOUNTABILITY TO THE COMMUNITY.

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 2018/28 Long Term Plan and 2018/19 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, and includes the Auditor's Report.



FOREWORD

Thank you for taking the time to read the 2018/19 Annual Report in a year that has seen a continuation of favourable economic times for the Clutha District, which has allowed an extension of the stellar run of recent years. It has been encouraging to see Council's initiatives and key projects providing impetus, and actually defining the pathway forward for our region.

It has been a busy year for Council, with this year's Annual Plan requiring more in-depth work, as the rate of change in our district demands activity at a heightened level. The year saw an exhaustive consultation process take place in Milton as we sought guidance from the locals for key projects – in fact the last 12 months has seen Council embracing the wider public at unprecedented levels as we further develop our community plans. Pleasingly, we are seeing groundswells of support in individual towns as proactive groups morph out of the plans and work in tandem with Council to bring key projects to fruition.

Milton and Balclutha especially have seen marked progress in this area, and we have confidence in the various towns' abilities to now deliver projects that reflect local aspirations and make good on our original desire to have Council enable the much needed rejuvenation of components of our towns that are in critical need of attention. After initial hesitation the wider public now has a greater awareness of the underlying reasoning behind our Council's initiatives and understand the critical need to take advantage of buoyant times to reverse the damage of a generation of rural decline.

This year has also heralded marked changes to the way we structure our finances that saw the Council for the first time take on debt, although the point must be made that presently our net financial position is still most definitely in the positive. Recent years have seen a refining and increased sophistication of the manner in which we structure our finances. This move is a natural progression as Council is determined to be agile and to

position ourselves to best take advantage of our strong financial position.

The effect our financial restructuring is having cannot be underestimated, with this year once again seeing our Nikko investments returning just over 8%. With so many demands and the expectations from our rate payers ever increasing, the amount of \$739,000 returned to the rate payers via a reduction in the UAGC, quite literally gave us the latitude needed to be able to deliver on our annual plan requests and still remain under our self-imposed rates cap of 4%.

We think it would be obvious to all that if you can borrow at a rate of just over 2% at the same time as your investment returns are yielding over 8% then it would be prudent to consider such a move. That said, the expert advice we are given constantly alludes to the fast changing and challenging economic environment that prevails and we should all be aware that the present circumstances will change with some predicting negative interest rates in the foreseeable future. However, for the purposes of this report it is suffice to acknowledge the challenges, and the need to remain constantly vigilant while realising the critical influence our present financial structure enables.

Changes in environmental standards have been the catalyst to increased activity around resource consenting, and right across our range of core services we have seen a lift in workload. Our roading, especially our bridge replacement projects, have been a focus this year.

The key growth projects, primarily the industrial and residential subdivisions in Balclutha, all showed solid growth, and this was reflected in unparalleled activity in our Council's consenting. June's Infometrix statistics showed a 116% increase in non-residential and 29% increase in residential consents and, with a number of large projects presently in the planning stage, our district's construction sector looks well placed for continued growth.

The lack of housing, and our district's inability to attract people to fill the vast number of jobs on offer is a challenge that Council along with the private sector are still grappling with. Small advances have been made with the likes of Kaitangata's House and Land Package and Tapanui's successful residential subdivision but the magnitude of the issue far outreaches our present ability to respond and the issue remains the number one impediment to our district's economic growth.

This year has also seen support coming to Council projects in the form of the Provincial Growth Fund and without this assistance Council would have been seriously challenged to deliver. The huge contribution to the 'cycle trail', along with assistance with roading issues at the Rosebank Industrial Park in Balclutha, has been a stimulus and enabler to our region's economy. In addition to that Council also received a contribution of almost 50% towards our \$1.1M destination toilets projects in Balclutha and Milton from the Tourism Infrastructure Fund. This new injection of support has come at a critical time and we must acknowledge the significance of the contributions in stimulating vibrancy and growth.

In conclusion this year has seen genuine progress in a number of areas and a framework put in place to enable even greater advances in the immediate future. The much vaunted slowdown in the wider New Zealand economy has today not made a noticeable impact on the Lower South's trajectory, although it would be naïve to suggest we are immune. All things considered it has been a very positive year for the Clutha District - Onwards and Upwards.



Bryan Cadogan
Mayor



Steve Hill
Chief Executive





LIVING & WORKING IN CLUTHA

In our 2018/28 Long Term Plan we continued with the 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 that are part of these initiatives.

SUBDIVISION PROGRESSES

One of Council's key aims is 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. As of June 2019, 28 sections of the 66 have been sold.

KAITANGATA HOUSE AND LAND PACKAGE INITIATIVE

Council is supporting the Kaitangata Promotions' House and Land Packages initiative. Council has sold its Salcombe Street properties to recover all the costs of the unsuccessful investigations of those properties for the Kaitangata House and Land Package. However, this sale was settled after 30 June 2019. The property at Wyre Street has begun housing platform excavation work and a contract has been signed for the first house to be built.

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 10 serviced lots and construction has generally been completed (other than future work on a slip lane on SH1) with titles having been applied for. 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. Council has also been successful in obtaining funding from NZTA and the Provincial Growth Fund to offset costs of better access off the State Highway. As of June 2019, 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 centre on what Council can do with our key facilities and how we can work with the community to make things happen. Significant progress has been made towards implementing the Our Place Balclutha and Milton Plans. In addition the Our Place Catlins plan is being progressed.



DISTRICT PLAN UPDATE

To encourage economic development and investment, Council has investigated industrial zoned land opportunities in and around Balclutha, Stirling and Milton. To complement this Council has also explored further residential expansion potential in and around the same towns to support the living aspect of the Living and Working Strategy. Council approved a change from a rolling review of the District Plan to a complete review of the District Plan to be completed over a period of two years.

DEVELOPING TOURISM INFRASTRUCTURE AND CLUTHA AS A DESTINATION

Clutha Development Inc. (Clutha District's economic development agency) started on the Clutha Destination Strategy and a Tourism Infrastructure review. During the year a lot of work was done to support the \$6.5m Provincial Growth Fund grant application for the extension of the Clutha Gold Cycle Trail from Lawrence to Waihola.

BALCLUTHA WAR MEMORIAL HALL

Progress has been made around a new build for the Balclutha War Memorial Hall. The Clutha Community Hub Charitable Trust and Clutha District Council have agreed on a memorandum of understanding to redevelop the facility.

MAJOR INFRASTRUCTURE PROJECTS

UPDATING YOU ON OUR MAIN INFRASTRUCTURE PROJECTS FOR 2018/19

SEWERAGE UPGRADES

Major upgrades have been made to the Milton and Heriot sewerage treatment plants. Minor upgrades have been made to Waihola, Balclutha, Clinton and Kaitangata sewerage treatment plants.

ROADING

- Installed over a thousand new LED streetlight luminaires at a cost of \$582k.
- Spent \$2 million on road metaling, with 68,400m³ of metal applied.
- Spent \$2 million on road resurfacing, with a total length of 45.5km completed.
- \$420k spent on pavement rehabilitation, with 1.2km of road reconstructed.
- Hinahina Bridge replacement detailed business case completed and submitted to the NZTA for approval.
- An additional \$550k of funding was obtained from the NZTA to deal with repairs following the extreme weather event of November 2018 with Council's share amounting to \$226k.
- A total of \$443k was spent on footpath maintenance and renewals with Council's share amounting to \$182k, which is the first year of the NZTA providing financial assistance for this type of work.
- \$1 million of bridge renewal funding has been carried forward to 2019/20 for work to be combined with 2019/20 projects in suitable packages of work for completion.
- \$620k was spent on Low Cost Low Risk projects (Minor Improvements) with \$200k on bridge designs for 2019/20 projects. \$420k was spent on various projects with the bulk (\$362k) attributed to the Finlayson Road slip repairs and the balance on drainage improvements on Alexandra Street, Papatowai and a safety footpath in Stirling.

- Urban seal extensions did not materialise due to tenders received being significantly over budget resulting in the tenders being cancelled. This work is now being programmed for completion in the 2019/2020 and 2020/2021 years.

URBAN WATER IMPROVEMENTS

Major upgrades have been made to Milton's water treatment plant: foundation and process for the clarifier installation.

RURAL WATER IMPROVEMENTS

Major upgrades have been made to the following schemes:

- Clydevale Pomahaka - Replacing the Clydevale reservoir and booster tanks, the Pomahaka reservoir, upgrade of the Old Lake Road pump station pumps and replacing asbestos cement pipes from the Old Lake Road Pump Station.
- Balmoral 2 - Smith's Track Road pipeline renewal.
- Moa Flat - Replacing asbestos cement pipes for Deep Dell.
- Richardson - Replacing pipes and booster station reservoir controls, upgrades to Puerua and Whitelea switchboards and investigating cross connections across schemes.
- Tuapeka - Replacing East pipes and Heathcote reservoir tank at Athenaeum Rd Tuapeka West, booster reservoir pump controls for telemetry, Evans Flat water take resource consent renewal, Tuapeka plant and points and Evans Flat Rising Main.



MAJOR INFRASTRUCTURE PROJECTS

STORMWATER IMPROVEMENTS

Major upgrades have been made to the following:

- Renewals for Kaka Point Esplanade Rd, Tapanui and Balclutha.
- Kaka Point, Owaka and Milton condition assessments.
- Waihola George Street Upgrade.

INFORMATION TECHNOLOGY IMPROVEMENTS

This year's key project updates are as follows:

- Phase 2 of the Datacom Ozone Enterprise Resource Programme including modules on debt collecting and real time debits was implemented.
- We went live with our new document management system M-Files.
- Office 365 upgrades have been substantively delivered.
- The new water contract integration was set up for the 2019/20 year.
- We improved our online capability and brought in invoice scanning to progress digitisation initiatives.
- The digitisation RFP was kicked off for scanning our property files.
- We improved on line access to cemeteries by adding searchability to our web site.

FINANCIAL OVERVIEW

2018/19

MAJOR VARIANCES TO BUDGET 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 2018/19. After forecasting a \$1.5 million surplus in 2018/19, Council recorded a \$0.4 million surplus.

- Other revenue is \$641k below budget, mainly due to \$700k NZTA administration fee budgeted here instead of offsetting the expenditure.
- Other gains are \$2,193k above budget due to vested assets of \$694k, a loss on disposal of assets of \$583k, a gain on forestry disposals of \$432k, the fair value gain of \$1,650k mentioned above.
- Corporate and development property now reflects the revenue of \$1,277k instead of the net gain or loss position.

REVENUE

Revenue was greater than budget by \$2,163k but within the different categories there was some variance:

- Rates revenue was above budget by \$14k mainly due to \$49k additional rates for warm homes which were not budgeted.
- Grants and subsidies were \$525k below budget mainly due to NZTA being \$231k below budget.
- Fees and charges were \$9k above budget, mainly due to additional connection revenue of \$92k, increased building activity revenue of \$128k, less revenue from interments of \$21k and less revenue from dog registrations of \$68k.
- Permits and licenses are \$214k above budget mainly due to additional building revenue of \$192k.
- Other fees are \$265k above budget mainly due to out of district water fees of \$275k, additional solid waste revenue of \$90k and less vehicle sales revenue of \$65k.
- Rental revenue is \$109k above budget reflecting the effects of market reviews.
- Interest revenue is \$752k below budget but there is a net fair value gain of \$1,650k at fair valuation giving an overall \$898k better performance on the Nikko portfolio.

ACTUAL 30 JUNE 2019	BUDGET 30 JUNE 2019	ACTUAL 30 JUNE 2018
(\$,000)	(\$,000)	(\$,000)

SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

INCOME

Rates Revenue	26,049	26,035	25,327
Other Operating Revenue	16,814	14,665	19,902
Total Operating Revenue	42,863	40,700	45,229

EXPENDITURE

Employee Benefits Expense	6,040	6,591	5,653
Depreciation	12,927	12,581	12,948
Other Expenditure	23,540	20,059	24,071
Total Operating Expenditure	42,507	39,231	42,672
Operating Surplus	356	1,469	2,557

Available for Sale Valuation Gain/(Loss)

3 - -

Total Other Comprehensive R&E 3 - -

Total Comprehensive Revenue & Expenditure for the year 359 1,469 2,557

SUMMARY STATEMENT OF CHANGES IN EQUITY

Equity at the beginning of the year	1,022,966	1,033,469	1,020,409
Total Other Comprehensive Revenue & Expenditure for the year	359	1,469	2,557
Equity at the end of the year	1,023,325	1,034,938	1,022,966

EQUITY REPRESENTED BY:

Accumulated Funds	225,138	246,066	226,803
Reserves	798,187	788,872	796,163

EXPENDITURE

Expenditure was more than budget by \$3,276k but within the different categories there was some variance:

- Grants are under budget by \$106k due to the West Otago Pool grant of \$200k not being paid despite receiving unbudgeted grants from West Otago Commonage money and the Community Board of \$149k. The District Museums received \$46k less.
- Other operating expenditure is above budget by \$1,538k mainly caused by the following costs above budget - NZTA administration overhead \$638k, Water operational expenditure \$934k, Consultancy \$70k, Legal Fees \$102k, Bad debts written off \$64k, Rates Penalties written off \$170k, but offset by the timing of the Gold Trail funding saving of \$177k.
- Roading repairs are \$367k above budget due to emergency reinstatement costs of \$526k after a flooding event.
- Personnel costs are \$551k below budget mainly due to vacancies and the capitalisation of wages.
- Depreciation is above budget by \$346k.
- Corporate and development property now reflects cost of sales and impairment losses on Rosebank Industrial of \$1,512k instead of the net gain or loss position.

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

MAJOR VARIANCES TO COUNCIL'S FINANCIAL POSITION COMPARED TO 2018 ACTUALS

- The Nikko investments have grown by \$1.7 million due to higher than budgeted returns on the Nikko AM portfolio and profits on the sale of forestry.
- Receivables and prepayments are \$3,216k less mainly due to a lower NZTA claim at year end than last year.

	ACTUAL 30 JUNE 2019	BUDGET 30 JUNE 2019	ACTUAL 30 JUNE 2018
	(5,000)	(5,000)	(5,000)

SUMMARY STATEMENT OF FINANCIAL POSITION

Current Assets	38,270	31,205	37,246
Non Current Assets	996,948	1,015,364	994,164
Total Assets	1,035,218	1,046,568	1,031,410
Current Liabilities	6,048	5,139	7,655
Non Current Liabilities	5,845	6,492	789
Total Liabilities	11,893	11,631	8,444
Net Assets/Equity	1,023,325	1,034,938	1,022,966

SUMMARY STATEMENT OF CASHFLOWS

Net Cashflows from Operating activities	13,027	14,069	12,950
Net Cashflows from Investing activities	(15,174)	(21,174)	(13,047)
Net Cashflows from Financing activities	5,022	6,000	-
Net Cashflows for the Year	2,875	(1,125)	(97)

- Cash and cash equivalents has increased by \$2.9m due to less assets being built than budgeted.
- Development Property has increased by \$95k due to delays in sales caused by complexities around issuing titles for Rosebank Industrial and the need for a SH1 slip lane. There has also been a \$353k impairment.
- Payables and accruals are \$1,590k less at year end due to less roading contract work in progress compared to last year.
- Borrowings are \$5m higher due to the LGFA loans raised in April.

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

HOW WE PERFORMED IN 2018/19

RETURN ON INVESTMENTS

At the close of the 2018/19 year Council's investments rose to \$27.2 million, well above the \$25.2 million forecast in the 2018-28 Long Term Plan. The growth from 2018 was due to above budget returns on the portfolio of \$0.9 million as well as unbudgeted profit on the sale and harvest of forestry assets of \$0.4 million.

(\$M)	LONG TERM PLAN 2018/19	ACTUAL 2018/19
OPENING	25.1	25.5
CLOSING	25.2	27.2
CHANGE	0.1	1.7
RETURN (%)	4.5	7.8

LIMITS ON EXTERNAL DEBT

Council's limits on debt are set in the financial strategy at 150% of annual revenue. Council is well below the limit.

	LONG TERM PLAN 2018/19	ACTUAL 2018/19
EXTERNAL DEBT (\$M)	6.0	5.0
DEBT LIMIT(\$M)	61.0	64.3

LIMITS ON RATES AND RATE INCREASES

Rates are the most important source Council uses to fund services. The \$26.0 million collected in 2018/19 meant an increase on 2017/18 of 2.85%. This was above the 1.69% and below the \$26.4 million rates cap forecast in the 2018/28 Long Term Plan.

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

	LONG TERM PLAN 2018/19	ACTUAL 2018/19
RATES (\$M)	25.8	26.0
RATES CHANGES (%)	1.69	2.85
RATES LIMIT AT 4% (\$M)	26.4	26.3

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CLUTHA DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR
ENDED 30 JUNE 2019

The Auditor-General is the auditor of Clutha District Council (the District Council). The Auditor-General has appointed me, Heidi Rautjoki, 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 3 October 2019. 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 117:
 - present fairly, in all material respects:
 - the District Council's financial position as at 30 June 2019;
 - 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 118, 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 17 to 44:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2019, 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 20 to 44, 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
- the funding impact statement for each group of activities on pages 20 to 44, 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.

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 119 to 127, 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 and 45 to 50, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

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

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

Independence

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

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of Debenture Trust Deed Reporting and Registry Audit, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the District Council.



Deloitte Limited

Heidi Rautjoki
Partner for Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand

STATEMENT OF SERVICE PERFORMANCE



2018/19 IN DETAIL

This section of the Annual Report includes detail about Council's achievements and performance in 2018/19 (known as Statement of Service Performance). It also includes information about the main achievements in each of Council's ten areas of work:

- COMMUNITY LEADERSHIP
- ECONOMIC AND COMMUNITY DEVELOPMENT
- ROADING
- WATER
- SEWERAGE
- STORMWATER
- SOLID WASTE
- COMMUNITY SERVICES
- REGULATORY AND EMERGENCY SERVICES
- INTERNAL SERVICES

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

For each of the ten 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.

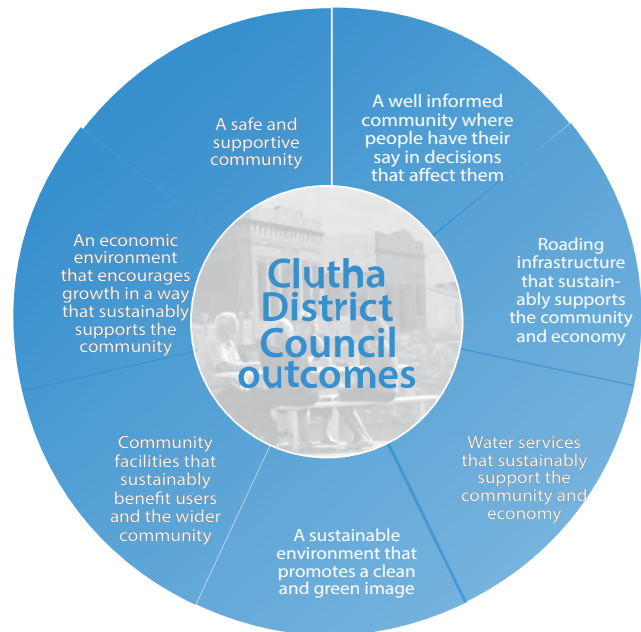
All performance measures were set in 2018 as part of the 2018/28 Long Term Plan. Performance is measured

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 not met

Overall 68% of targets were met, 32% were not met.



SUMMARY OF NON-FINANCIAL PERFORMANCE MEASURES FOR YEAR ENDING 30 JUNE 2019

SUMMARY OF KPI TARGETS BY ACTIVITY	MET	NOT MET	TOTAL
Community leadership	2	0	2
Rooding	1	5	6
Water: urban	11	3	14
Water: rural	6	6	12
Sewerage	11	0	11
Stormwater	8	0	8
Solid waste	0	2	2
Community services	2	0	2
Economic and community development	0	1	1
Regulatory and emergency services	0	2	2
Internal services	1	1	2
TOTAL	42	20	62
Total percentage	68%	32%	100%

COMMUNITY LEADERSHIP

Our elected members represent the Clutha District and its communities, undertaking an important oath to make decisions in the best interests of the Clutha District.

WHAT WE DO

Clutha District Council comprises 14 Councillors and a 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 an overall direction, determining priorities, and making decisions about the scope and the levels of service Council will provide. Decision making is an important part of their role, including what Council will do, and how to pay for activities.

The Mayor and Councillors set the performance standards and 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.

The Mayor proposes and the Council approves the Council and Committee structure. This structure enables Council's decision-making processes to be implemented in an effective and efficient manner, and also allows for the delegation of certain powers.

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.

COMMUNITY LEADERSHIP

	TARGET PER LTP	ACTUAL 2019
LEVEL OF SERVICE 1: PROVIDE EFFECTIVE LEADERSHIP, REPRESENTATION AND SERVICE TO RESIDENTS AND RATEPAYERS.		
Satisfaction with decision-making, leadership and planning of elected members (Council)	≥80%	86%
LEVEL OF SERVICE 2: MONITOR RATES AFFORDABILITY AND PROVIDE PRUDENT, EFFECTIVE AND EFFICIENT FINANCIAL MANAGEMENT		
To stay within rates limits	\$26.4M	\$26.4M

WHAT IT COST FOR COMMUNITY LEADERSHIP IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	1,000	1,002	1,002
Targeted rates (other than targeted rates for water supply)	161	245	260
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	63
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL SOURCES OF OPERATING FUNDING	1,161	1,247	1,325
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(681)	(892)	(1,009)
Finance costs	(75)	(55)	(78)
Internal charges and overheads applied	(337)	(475)	(475)
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(1,093)	(1,422)	(1,562)
SURPLUS (DEFICIT) OF OPERATING FUNDING	68	(175)	(237)
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt (Internal debt)	(44)	698	(29)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	(44)	698	(29)
APPLICATIONS OF CAPITAL FUNDING			
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)	319	266
(Increase) decrease of investments	(17)	(842)	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	(24)	(523)	266
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(68)	175	237
FUNDING BALANCE	-	-	-

ECONOMIC & COMMUNITY DEVELOPMENT

Outcomes:

An economic environment that encourages growth in a way that sustainably supports the community.

A safe and supportive community.

A well informed community where people have their say in decisions that affect them.

WHAT WE DO

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

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

- Economic Development: leading and delivering activities that will support, sustain and grow the economy, including via the economic development agency - Clutha Development Incorporated and in implementing Council's Economic Development Strategy.
- Destination marketing for the district, including being a Regional Tourism Organisation (RTO), provided via Clutha Development Inc.
- Community Development which involves providing support and facilitation for community-driven initiatives throughout the district, including implementing Council's Living and Working in Clutha Strategy via Community Plans.
- Youth development which involves part-funding the Clutha District Youth Development Programme, and providing coordination and support for the Clutha District Youth Council.
- Providing financial assistance through a range of community grants and funding schemes.

ECONOMIC AND COMMUNITY DEVELOPMENT

	TARGET PER LTP	ACTUAL 2019
LEVEL OF SERVICE 1: SUPPORT THE DISTRICT'S COMMUNITIES AND ECONOMY THROUGH COMMUNITY PLANNING, FACILITATION AND SUPPORT.		
Percentage of programmed Our Place community plans completed.	100%	80% ¹

¹ Kaka Point and Catlins consultation and feedback have been completed but the response plan is still outstanding.

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.

WHAT IT COST FOR ECONOMIC AND COMMUNITY DEVELOPMENT IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	1,284	1,308	1,308
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	-	-	-
TOTAL SOURCES OF OPERATING FUNDING	1,284	1,308	1,308
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(1,176)	(1,329)	(1,245)
Finance costs	(10)	(12)	(12)
Internal charges and overheads applied	(79)	(97)	(97)
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(1,265)	(1,438)	(1,354)
SURPLUS (DEFICIT) OF OPERATING FUNDING	19	(130)	(46)
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt (Internal debt))	(19)	22	66
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	(19)	22	66
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	-	-
Capital expenditure to replace existing assets	-	-	-
(Increase) decrease in reserves	-	108	(20)
(Increase) decrease of investments	-	-	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	-	108	-
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(19)	130	46
FUNDING BALANCE	-	-	-

ROADING

Community Outcome: Roading 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% (2,091km) is unsealed. It supports a resident population of around 17,250 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 \$1,107.9 million.

HOW WE PERFORMED IN 2018/19

	TARGET PER LTP	ACTUAL 2019
ROADS		
LEVEL OF SERVICE 1: PROVIDE AN EFFECTIVE AND SUSTAINABLE LOCAL ROADING NETWORK		
Average quality of ride on the sealed road network (as per smooth travel exposure)	≥97%	95% ¹
Percentage of the sealed local network that is resurfaced	≥6.9%	5.5% ²
% of customer service for roads and footpaths responded to within timeframes	≥95%	90% ³
LEVEL OF SERVICE 2: MONITOR SAFETY AND INVEST IN IMPROVING THE ROADING NETWORK		
Number of fatalities and serious injury crashes	≤10	2
FOOTPATHS		
LEVEL OF SERVICE 3: PROVIDE AN EFFECTIVE AND SUSTAINABLE NETWORK OF FOOTPATHS THROUGHOUT THE DISTRICT		
% of footpaths that are in good, very good or new / near new condition	≥96%	Not tested ⁴
BRIDGES		
LEVEL OF SERVICE 4: PROVIDE A SAFE AND ECONOMIC NETWORK OF BRIDGES THROUGHOUT THE DISTRICT		
Percentage of bridges on key routes that meet heavy vehicle (50 Max) safety requirements.	≥90.6%	90.3% ⁵

¹ There is a downward trend on Urban Sealed Roads roughness with Rural Sealed roads roughness remaining static. Further investigation will be carried out over the next 3 to 6 months to narrow down the cause of the Urban trend.

² Initial budget concerns re tender price and bitumen cost fluctuations resulted in Council shortening its reseal lengths. By February 2019, bitumen cost fluctuations actually resulted in a cost saving, but due to the amount of pre-seal repairs to be carried out and the fact that the reseal contractor had other work commitments, additional reseal lengths were unable to be completed by year end. As a result the balance of the unspent budget will be carried forward to 2019/20 to supplement the 2019/20 reseals.

³ An improvement from last year but the volume of work takes time to plan and convert into resolution.

⁴ The overall backlog of footpath renewal work has resulted in the target not being tested. A full condition survey is planned to be completed by 30 June 2020, which should give a true reflection of renewals carried out over 2018/19 and 2019/20.

⁵ No 50MAX bridge renewals have been completed as agreed with Council. The work planned for the 3 year period of 2018/21 has been shifted out by a year to be completed between 2019/21.

WHAT IT COST FOR ROADS AND FOOTPATHS IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	8,269	8,276	8,205
Subsidies and grants for operating purposes	3,123	3,449	3,834
Fees, charges and targeted rates for water supply	97	794	226
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL SOURCES OF OPERATING FUNDING	11,489	12,519	12,265
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(5,919)	(6,151)	(6,529)
Finance costs	(478)	(288)	(288)
Internal charges and overheads applied	(1,853)	(2,223)	(1,586)
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(8,250)	(8,662)	(8,403)
SURPLUS (DEFICIT) OF OPERATING FUNDING	3,239	3,857	3,862
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	4,520	5,084	4,296
Development and financial contributions	-	-	-
Increase (decrease) in debt	(305)	579	(316)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	4,215	5,663	3,980
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	(872)	(2,114)	(1,317)
Capital expenditure to replace existing assets	(6,593)	(8,303)	(6,083)
(Increase) decrease in reserves	(9)	1,337	(442)
(Increase) decrease of investments	20	(440)	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	(7,454)	(9,520)	(7,842)
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(3,239)	(3,857)	(3,862)
FUNDING BALANCE	-	-	-

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.
- Eleven 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.
- Five smaller communities and townships are provided water in bulk from rural water schemes. These townships are Clinton (Clydevale-Pomahaka), Kaka Point (Richardson), Waihola (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 2018/19

		TARGET PER LTP	ACTUAL 2019
URBAN WATER			
LEVEL OF SERVICE 1: WATER FROM COUNCIL URBAN SUPPLIES IS SAFE TO DRINK.			
Compliance with the NZDW Standards for bacteriological compliance		100%	95% ¹
Compliance with the NZDW Standards protozoal compliance		≥50%	52% ²
LEVEL OF SERVICE 2: URBAN SUPPLIES PROVIDE A CONTINUOUS AND RELIABLE SOURCE OF WATER TO CONSUMER			
Number of drinking water complaints (Requests for Service) per 1000 connections about:	Clarity	≤17	8
	Taste	≤3	2
	Odour	≤2	1
	Pressure	≤5	4
	Continuity	≤30	13
	Council's response to any of these issues (hours)	≤5	3
Average consumption of drinking water per resident per day (litres per day)		≤650	Not tested ³
LEVEL OF SERVICE 3: 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	≤1	1
	Non-urgent	≤6	4
Median response time (in hours) from notification of fault or unplanned interruption to when personnel confirm resolution:	Urgent	≤2	2
	Non-urgent	≤24	18
Percentage of real water loss from Council's reticulation system		≤30%	Not Tested ⁴

¹ There was one non compliance in January at Kaka Point and corrective action was taken.

² Lawrence 100%, Balclutha 92% and Tapanui 67%.

³ Consultants produced a Water Balance Review for CDC's 24 Water Supply Systems in April 2018. This exercise proved challenging due to the lack of metering and some restricted schemes being operated. No further work has been done since then.

⁴ Consultants produced a Water Loss Strategy in October 2018 and the required capital works for its implementation were approved and started to be installed in 2019. To reduce losses, capital investment is required for flow monitoring, managing water pressures and installing water meters. Additional installation have also been budgeted in future years. Because flow monitoring work has not yet been completed, the engineering estimates results for 2019 were not done.

		TARGET PER LTP	ACTUAL 2019
RURAL WATER			
LEVEL OF SERVICE 1: WATER FROM COUNCIL RURAL SCHEMES IS SAFE TO DRINK			
Compliance with the NZDW Standards for bacteriological compliance		100%	76% ¹
Compliance with the NZDW Standards for protozoal compliance		≥50%	0% ²
LEVEL OF SERVICE 2: RURAL SCHEMES PROVIDE A CONTINUOUS AND RELIABLE SOURCE OF WATER TO CONSUMERS			
Number of drinking water complaints (requests for service) per 1000 connections about:	Clarity	≤12	10
	Taste	≤5	1
	Odour	≤3	2
	Pressure	≤200	110
	Continuity	≤200	224 ³
	Council's response to any of these issues (hours)	≤5	23 ³
LEVEL OF SERVICE 3: RURAL 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	≤2	3 ⁴
	Non-urgent	≤8	5
Median response time (in hours) from notification of fault or unplanned interruption to when personnel confirm resolution:	Urgent	≤12	13 ⁴
	Non-urgent	≤24	19

¹ There was one non compliance in October (Tuapeka West), November (Tuapeka East) and December (Balmoral 2) and corrective action was taken including issuing boiled water notices.

² Non compliance in Kaitangata/Wangaloa scheme. Pending improvements to plant operations and verifications by the Drinking Water Assessor, Council is not claiming for protozoal compliance for the 2019 DWSNZ Annual Survey .

³ In summer periods we have high "no water at tanks" complaints due to the high demand on infrastructure. Council has projects in the LTP and AP to mitigate these supply issues for the 2019/20 year. There were 386 requests regarding no water at tanks this year.

⁴ Of 419 Urgent faults for the year only 55% met the target. Poor performance is due to a high summer demand and infrastructure not able to supply that demand. This results in numerous requests for no water and creates a delayed domino effect on getting to each individual fault fixed.

WHAT IT COST FOR WATER IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rated for water supply)	6,842	7,031	7,104
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	136	453	526
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL SOURCES OF OPERATING FUNDING	6,978	7,484	7,630
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(4,185)	(4,119)	(5,289)
Finance costs	(312)	(284)	(208)
Internal charges and overheads applied	(711)	(998)	(1,087)
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(5,208)	(5,401)	(6,584)
SURPLUS (DEFICIT) OF OPERATING FUNDING	1,770	2,083	1,046
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,419	2,574	1,010
Gross proceeds from sale of assets	-	-	630
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	1,419	2,574	1,640
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure to meet additional demand	-	-	(100)
Capital expenditure to improve the level of service	(1,390)	(3,474)	(710)
Capital expenditure to replace existing assets	(1,870)	(3,206)	(4,622)
(Increase) decrease in reserves	(16)	2,133	2,746
(Increase) decrease of investments	87	(110)	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	(3,189)	(4,657)	(2,686)
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(1,770)	(2,083)	(1,046)
FUNDING BALANCE	-	-	-

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 2018/19

		TARGET PER LTP	ACTUAL 2019
LEVEL OF SERVICE 1: 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	5
LEVEL OF SERVICE 2: SEWERAGE SCHEMES ARE MANAGED EFFICIENTLY AND EFFECTIVELY			
Median response time (in hours) from notification of fault to when personnel:	Reach the site (response)	≤1 hour	0.3
	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	3
	Sewerage system faults	≤10	4
	Sewerage system blockages	≤5	5
	Council's response to any of these issues	≤5	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
	Convictions	0	0

WHAT IT COST FOR SEWERAGE IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	2,098	2,380	2,346
Subsidies and grants for operating purposes	-	-	-
Fees & charges and targeted rates for water supply	136	136	217
Internal charges and overheads recovered	157	-	-
Fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL SOURCES OF OPERATING FUNDING	2,391	2,516	2,563
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(949)	(999)	(1,420)
Finance costs	(72)	(80)	(107)
Internal charges and overheads applied	(323)	(499)	(499)
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(1,444)	(1,578)	(2,026)
SURPLUS (DEFICIT) OF OPERATING FUNDING	947	938	537
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(78)	5	(102)
Gross proceeds from sale of assets	-	-	15
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	(78)	5	(87)
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure to meet additional demand	-	(35)	(19)
Capital expenditure to improve the level of service	(802)	(460)	(55)
Capital expenditure to replace existing assets	(74)	(974)	(688)
(Increase) decrease in reserves	2	432	312
(Increase) decrease of investments	5	94	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	(869)	(943)	(450)
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(947)	(938)	(537)
FUNDING BALANCE	-	-	-

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 Waiholā. 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 2018/19

	TARGET PER LTP	ACTUAL 2019
LEVEL OF SERVICE 1: TO PROVIDE STORMWATER DRAINAGE THAT PROTECTS AGAINST THE EFFECTS OF FLOODING		
Flooding events to habitable floors due to overflows from a council stormwater system (per 1000 connected properties).	0	0
Number of flooding events that occur in a territorial authority district (i.e. an overflow from a Council stormwater system)	≤23	7
Number of complaints about performance of stormwater systems (per 1,000 connected properties)	≤10	2
Median response time (in hours) from notification of fault to when personnel reach the site	≤4	1
Compliance with Council's resource consents for sewerage discharge, measured as number of:	Abatement notices	0
	Infringement notices	0
	Enforcement orders	0
	Successful prosecutions received	0

WHAT IT COST FOR STORMWATER IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	-	-	-
Targeted rates (other than a targeted rate for water supply)	589	737	739
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	-	-	-
TOTAL SOURCES OF OPERATING FUNDING	589	737	739
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(97)	(98)	(218)
Finance costs	(20)	(15)	(14)
Internal charges and overheads applied	(206)	(318)	(318)
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(323)	(431)	(550)
SURPLUS (DEFICIT) OF OPERATING FUNDING	266	306	189
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(32)	(33)	(33)
Gross proceeds from sale of assets	-	-	3
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	(32)	(33)	(30)
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure to meet additional demand	-	-	(104)
Capital expenditure to improve the level of service	(32)	(216)	(166)
Capital expenditure to replace existing assets	(106)	(35)	(370)
(Increase) decrease in reserves	(1)	(27)	481
(Increase) decrease of investments	(95)	5	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	(234)	(273)	(159)
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(266)	(306)	(189)
FUNDING BALANCE	-	-	-

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/skip services which are collected on a weekly basis in Clinton, Lawrence, Macleannan, Milton, Owaka and Tapanui.
- Providing a skip service at Beaumont and Taieri Mouth that are collected on an as-needed basis.
- Monitoring and maintaining 19 closed tip sites throughout the district.
- Providing waste information and education services, including facilitating the EnviroSchools programme at schools throughout the district.

HOW WE PERFORMED IN 2018/19

	TARGET PER LTP	ACTUAL 2019
LEVEL OF SERVICE 1: PROVIDE A FACILITY IN THE DISTRICT FOR THE DISPOSAL OF SOLID WASTE		
Kilogrammes of waste per resident to Mt Cooee landfill (kg)	≤510	550 ¹
LEVEL OF SERVICE 2: PROVIDE WASTE MINIMISATION SERVICES AND EDUCATION		
Kilogrammes of waste per resident diverted from Mt Cooee landfill (kg)	≥39	31 ²

¹ There has been a noticeable increase in commercial waste over the forecasted amounts. This is due to a number of big demolition projects that have taken place in Balclutha. The Kerbside collection volumes are as predicted.

² Lower volumes being diverted was due to a global tightening up on contamination found in recycling. Contamination meant that 10% of residents' recycling was rejected this year, which had a flow on impact on this result.

WHAT IT COST FOR SOLID WASTE IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	68	68	68
Targeted rates (other than targeted rate for water supply)	753	697	844
Subsidies and grants for operating purposes	68	80	73
Fees, charges and targeted rates for water supply	671	657	744
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL SOURCES OF OPERATING FUNDING	1,560	1,502	1,729
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(1,160)	(1,243)	(1,342)
Finance costs	-	-	-
Internal charges and overheads applied	(308)	(167)	(167)
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(1,468)	(1,410)	(1,509)
SURPLUS (DEFICIT) OF OPERATING FUNDING	92	92	220
SOURCES OF CAPITAL FUNDING			
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	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	-
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	(720)	(266)
Capital expenditure to replace existing assets	(24)	(110)	(18)
(Increase) decrease in reserves	(26)	740	64
(Increase) decrease of investments	(42)	(2)	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	(92)	(92)	(220)
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(92)	(92)	(220)
FUNDING BALANCE	-	-	-

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, Toko 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 2018/19

	TARGET PER LTP	ACTUAL 2019
LEVEL OF SERVICE 1: OPERATE A NETWORK OF COMMUNITY FACILITIES THROUGHOUT THE DISTRICT INCLUDING LIBRARY / SERVICE / INFORMATION CENTRES, POOLS, HALLS, PLAYGROUNDS, SPORTSGROUNDS, PARKS AND RESERVES.		
Resident satisfaction with community facilities	>75%	91%
LEVEL OF SERVICE: PROVIDE AND MAINTAIN COMMUNITY HOUSING UNITS THROUGHOUT THE DISTRICT.		
Occupancy of community housing units	>95%	98%

WHAT IT COST FOR COMMUNITY SERVICES IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	2,389	3,121	3,138
Targeted rates (other than a targeted rate for water supply)	1,418	1,590	1,652
Subsidies and grants for operating purposes	-	123	-
Fees, charges and targeted rates for water supply	1,272	287	1,287
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	911	-
TOTAL SOURCES OF OPERATING FUNDING	5,079	6,032	6,077
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(3,475)	(3,726)	(3,970)
Finance costs	(346)	(284)	(307)
Internal charges and overheads applied	(761)	(1,377)	(1,325)
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(4,582)	(5,387)	(5,602)
SURPLUS (DEFICIT) OF OPERATING FUNDING	497	645	475
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(105)	1,481	(225)
Gross proceeds from sale of assets	-	2,324	180
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	(105)	3,805	(45)
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure to meet additional demand	-	(2)	-
Capital expenditure to improve the level of service	(14)	(1,818)	(323)
Capital expenditure to replace existing assets	(388)	(490)	(511)
(Increase) decrease in reserves	120	58	404
(Increase) decrease of investments	(110)	(2,198)	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	(392)	(4,450)	(430)
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(497)	645	(475)
FUNDING BALANCE	-	-	-

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.
- Registering and inspecting other controlled premises, e.g. 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 2018/19

	TARGET PER LTP	ACTUAL 2019	
LEVEL OF SERVICE 1: TO PROVIDE AN APPLICATION PROCESSING SERVICE WHERE CONSENTS ARE PROCESSED WITHIN STATUTORY TIMEFRAMES IN AN EFFICIENT MANNER			
Application lodged and processed within statutory timeframes	100%	83%	¹
LEVEL OF SERVICE 2: COMPLAINTS ARE PRIORITISED AND RESPONDED TO IN AN EFFICIENT MANNER			
Customer service requests are responded to within targeted time frames.	≥95%	74%	¹

¹The primary reason for this result in the consenting activity was higher volumes and 100% turnover of staff with consequential vacancies.



WHAT IT COST FOR REGULATORY & EMERGENCY SERVICES IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	398	256	258
Targeted rates (other than a targeted rate for water supply)	905	640	654
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	798	518	1,277
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	598	-
TOTAL SOURCES OF OPERATING FUNDING	2,101	2,012	2,189
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(1,332)	(1,069)	(1,054)
Finance costs	(23)	(10)	(10)
Internal charges and overheads applied	(720)	(862)	(863)
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(2,065)	(1,941)	(1,927)
SURPLUS (DEFICIT) OF OPERATING FUNDING	36	71	262
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(36)	(18)	(18)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	(36)	(18)	(18)
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	-	-	-
Capital expenditure to replace existing assets	-	-	-
(Increase) decrease in reserves	16	(16)	(244)
(Increase) decrease of investments	(16)	(37)	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	-	(53)	(244)
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(36)	(71)	(262)
FUNDING BALANCE	-	-	-

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 2018/19

	TARGET PER LTP	ACTUAL 2019
LEVEL OF SERVICE 1: WE HANDLE CUSTOMER REQUESTS FOR SERVICE EFFICIENTLY AND EFFECTIVELY		
Percentage of service requests resolved within timeframes	>95%	74% ¹
LEVEL OF SERVICE 2: WE DELIVER ON OUR WORK PROGRAMMES		
Percentage of capital projects completed.	>75%	85%

¹ A slight improvement on 2017/18 with major improvements in service responsiveness expected in the next year.

WHAT IT COST FOR INTERNAL SERVICES IN 2018/19

FUNDING IMPACT STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2018 LONG TERM PLAN \$(000)	2019 LONG TERM PLAN \$(000)	2019 ACTUAL \$(000)
SOURCES OF OPERATING FUNDING			
General rates, UAGC's, rates penalties	332	-	133
Targeted rates (other than a targeted rate for water supply)	-	-	93
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	384	133	101
Internal charges and overheads recovered	4,824	7,231	7,149
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	194
TOTAL SOURCES OF OPERATING FUNDING	5,540	7,364	7,760
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	(4,781)	(6,948)	(6,790)
Finance costs	(70)	(7)	(27)
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	(4,851)	(6,955)	(6,817)
SURPLUS (DEFICIT) OF OPERATING FUNDING	689	409	853
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	214	20	(10)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	214	20	(10)
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure to meet additional demand	-	-	-
Capital expenditure to improve the level of service	(262)	(1,005)	(370)
Capital expenditure to replace existing assets	(72)	(310)	(587)
(Increase) decrease in reserves	(386)	897	3,614
(Increase) decrease of investments	(183)	(11)	(3,500)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(903)	(429)	(843)
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(689)	(409)	(853)
FUNDING BALANCE	-	-	-

FINANCIAL INFORMATION



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ABOUT THIS FINANCIAL SECTION

This section of the annual report contains the financial statements of Clutha District Council for the year ended 30 June 2019.

The Annual Report 2018/19 received an unmodified audit report and was adopted on 3 October 2019.

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 2018/19.

For the clarity and usefulness of this report, this section has the following sub-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 section of the annual report:

Signposts	Explanation
	Accounting policy
	Judgements 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 2019 presents fairly the financial performance, financial position and service performance of the Clutha District Council.



Bryan Cadogan

Date: 3rd October 2019

MAYOR



Steve Hill

Date: 3rd October 2019

CHIEF EXECUTIVE

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the Financial Year ended 30 June 2019

	Notes	2019 Actual \$000	2019 Long Term Plan \$000	2018 Actual \$000
REVENUE				
Rates	A1	26,049	26,035	25,327
Grants and subsidies	A1	8,395	8,920	9,603
Fees and user charges		807	798	729
Permits and licenses		812	598	639
Other fees		1,139	874	1,049
Rental revenue		1,020	911	967
Interest revenue		505	1,257	556
Other revenue		666	1,307	525
Other gains	A6	2,193	-	3,290
Sales of corporate and development property	A8	1,277	-	2,544
Total Revenue	A1	42,863	40,700	45,229
EXPENDITURE				
Grants, contributions and sponsorship	A2	671	777	618
Other operating expenditure	A2	14,737	13,132	13,046
Roading repairs and maintenance	A2	6,517	6,150	7,747
Employee benefits	A3	6,040	6,591	5,653
Depreciation and amortisation	A4	12,927	12,581	12,948
Finance costs	A5	93	-	6
Operating lease payments		10	-	11
Cost of sales of corporate and development property	A8	1,512	-	2,643
Total Expenditure		42,507	39,231	42,672
SURPLUS FOR THE YEAR		356	1,469	2,557
Other Comprehensive Revenue & Expenditure Items that may be reclassified to surplus or deficit:				
Available-for-sale financial assets valuation gain		3	-	-
Items that will not be reclassified to surplus or deficit:				
(Loss) Gain on property, plant and equipment revaluation	D6	-	-	-
Total Other Comprehensive Revenue & Expenditure		3	-	-
Total Comprehensive Revenue & Expenditure for the year		359	1,469	2,557

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 2019

	Accumulated Funds \$000	Reserves \$000	Total Equity \$000	Long Term Plan \$000
Balance as at 1 July 2017	224,709	795,700	1,020,409	1,032,046
Surplus after income tax	2,557	-	2,557	1,423
Other comprehensive revenue	-	-	-	-
Total Comprehensive Revenue & Expense for the year	2,557	-	2,557	1,423
Transfers (from)/to reserves	(167)	167	-	-
Additional Reserves Created	(296)	296	-	-
Balance as at 30 JUNE 2018	226,803	796,163	1,022,966	1,033,469
Balance as at 1 July 2018	226,803	796,163	1,022,966	1,033,469
Surplus after income tax	356	-	356	1,469
Other comprehensive revenue	-	-	-	-
Total Comprehensive Revenue & Expense for the year	356	-	356	1,469
Net Transfers (from)/to reserves	559	(556)	3	-
Transfer to balance investments	(2,580)	2,580	-	-
Balance as at 30 JUNE 2019	225,138	798,187	1,023,325	1,034,938

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 2019

	Notes	2019 Actual \$000	2019 Long Term Plan \$000	2018 Actual \$000
Assets				
CURRENT ASSETS				
Cash and cash equivalents	D1	4,092	375	1,217
Receivables and prepayments	D2	3,173	3,732	6,389
Other financial assets	C3	27,210	25,281	25,520
Inventory		-	1,000	-
Non-current assets held for sale	D7	-	317	420
Development property	D8	3,795	500	3,700
Total current assets		38,270	31,205	37,246
NON-CURRENT ASSETS				
Property, plant and equipment	B1	995,793	1,015,312	992,995
Intangible Assets	B2	1,020	-	1,117
Other financial assets	C3	135	52	52
Total non-current assets		996,948	1,015,364	994,164
TOTAL ASSETS		1,035,218	1,046,568	1,031,410
Liabilities				
CURRENT LIABILITIES				
Payables and accruals	D3	5,439	4,337	7,029
Employee entitlements	D4	609	482	626
Borrowings		-	320	-
Total current liabilities		6,048	5,139	7,655
NON-CURRENT LIABILITIES				
Provisions	D5	765	750	731
Other liabilities – Mercer Trust		60	62	58
Borrowings	C1	5,020	5,680	-
Total non-current liabilities		5,845	6,492	789
TOTAL LIABILITIES		11,893	11,631	8,444
NET ASSETS		1,023,325	1,034,938	1,022,966
EQUITY				
Reserves	D6	798,187	788,872	796,163
Accumulated funds	D6	225,138	246,066	226,803
TOTAL EQUITY		1,023,325	1,034,938	1,022,966

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 2019

Notes	2019 Actual \$000	2019 Long Term Plan \$000	2018 Actual \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers, rates, grants and other services	41,321	39,443	34,739
Interest received	505	1,257	556
Payments to suppliers and employees	(28,779)	(26,651)	(22,345)
Interest Expense	(20)	-	-
Net cash inflow from operating activities	13,027	14,049	12,950
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from sale of property, plant and equipment and forestry	1,031	-	162
Purchase of property, plant and equipment	(15,755)	(23,360)	(16,860)
(Acquisition)/sale of other financial assets	(120)	(138)	2,128
Disposal / (acquisition) of development property	(330)	2,324	1,523
Net cash (outflow) from investing activities	(15,174)	(21,174)	(13,047)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	5,022	6,000	-
Repayment of borrowings	-	-	-
Total Cash Flows From Financing Activities	5,022	6,000	-
Net increase/(decrease) in Cash and cash equivalents	2,875	(1,125)	(97)
Cash and cash equivalents at the beginning of the financial year	1,217	1,500	1,314
Cash and cash equivalents at the end of the financial year	D1 4,092	375	1,217

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

RECONCILIATION OF SURPLUS AFTER INCOME TAX TO CASH INFLOW FROM OPERATING ACTIVITIES

	2019 \$000	2018 \$000
Surplus for the period	356	2,557
Add/(less) non-cash items:		
Depreciation and amortisation	12,927	12,948
(Gain)/Loss on fair value of forestry asset	-	(92)
Impairment of development property	353	-
(Gain)/Loss on sale of property, plant and equipment	583	625
(Gain)/Loss on sale of forestry	(432)	-
Unrealised gain on revaluation of other financial assets to fair value	(1,650)	(2,177)
Vested Assets	(694)	(1,547)
	11,087	9,757
Movement in working capital:		
Trade and other receivables and prepayments	3,216	(2,657)
Trade and other payables and accruals	(1,708)	2,692
Employee entitlements	(17)	144
Provisions	34	(19)
	1,525	160
Items classified as Investing Activities:		
Movement in property, plant and equipment included in trade and other payables	59	476
Net cash inflow from operating activities	13,027	12,950

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 principal 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 2019. The financial statements are authorised for issue by Council on 3 October 2019.

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 A3 and the related party transaction disclosures in Note A3. The remuneration, severance payments and related party transaction disclosures are rounded to the nearest dollar.

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 2018/28 long term 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.



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
- A8 Corporate and development property

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	<p>The following policies for rates have been applied:</p> <ul style="list-style-type: none">• 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	<p>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.</p>
Financial contributions	<p>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.</p>

New Zealand Transport Agency roading subsidies	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.
Vested or donated physical assets	<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>
Infringement fees and fines	When the infringement notice is issued.
Interest revenue	Interest revenue is recognised using the effective interest method.
Dividend revenue	Dividends are recognised when the right to receive payment has been established.
Water and wastewater user charges	When invoiced or accrued in the case of unbilled services at fair value of cash received or receivable.
Sale of goods	Revenue from the sale of goods is recognised when a product is sold to the customer.
Sale of services	On a percentage of completion basis over the period of the service supplied.
Building and resource consent revenue	Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date. Partially refundable after administration and inspection fees if application is cancelled.
Licence and permit fees	On receipt of application as these are non-refundable.
Entrance fees	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.
Landfill fees	Fees for disposing of waste at Council's landfill are recognised as waste is disposed by users.
Development property	On earliest of settlement of transaction or unconditional sale and purchase agreement.

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

	Notes	2019 \$000	2018 \$000
Revenue from Non-Exchange Transactions			
General rates		4,327	5,028
Targeted rates	See below	21,898	20,426
Rates penalties		282	268
Internal rates		(458)	(395)
Total revenue from rates		26,049	25,327
Revenue from Exchange Transactions			
Rental and lease revenue		1,020	967
Interest revenue and gain on changes in fair value		2,155	2,733
Otago Corrections Facility water		158	165
Development property sales	A8	1,277	2,544
Forestry revaluation		-	92
Other revenue		805	203
Total revenue from exchange transactions		5,415	6,704
Other Revenue from Non-Exchange Transactions			
Grants and subsidies	See below	8,395	9,603
Vested assets	A6	694	1,547
Swimming pool revenue		119	129
Building consents		666	498
Other revenue		1,525	1,421
Total other revenue from non-exchange transactions		11,399	13,198
TOTAL REVENUE		42,863	45,229
Targeted Rates Attributable to Activities:			
Community leadership		260	246
Internal services		93	88
Roads and footpaths		8,204	7,840
Water supply		7,105	6,742
Stormwater		739	615
Sewerage		2,346	2,029
Solid waste		844	699
Community services		1,652	1,639
Regulatory and emergency services		655	528
		21,898	20,426
Grants and Subsidies:			
NZTA subsidy		8,128	9,327
Other		267	276
		8,395	9,603



Explanation of major variances against budget

Total revenue

Revenue was greater than budget by \$2,163k but within the different categories there was some variance:

- Rates revenue was above budget by \$14k mainly due to \$49k additional rates for warm homes which were not budgeted.
- Grants and subsidies were \$525k below budget mainly due to NZTA being \$231k below budget.
- Fees and charges were \$9k above budget, mainly due to additional connection revenue of \$92k, increased building activity revenue of \$128k, less revenue from interments of \$21k and less revenue from dog registrations of \$68k.
- Permits and licenses are \$214k above budget mainly due to additional building revenue of \$192k.
- Other fees are \$265k above budget mainly due to out of district water fees of \$275k, additional solid waste revenue of \$90k and less vehicle sales revenue of \$65k.
- Rental revenue is \$109k above budget reflecting the effects of market reviews.
- Interest revenue is \$752k below budget but there is a net gain of \$1,650k at fair valuation giving an overall \$898k better performance on the Nikko portfolio.
- Other Revenue is \$641k below budget, mainly due to \$700k NZTA administration fee budgeted here instead of offsetting the expenditure.
- Other gains are \$2,193k above budget due to vested assets of \$694k, a loss on disposal of assets of \$583k, a gain on forestry disposals of \$432k, the fair value gain of \$1,650k mentioned above.
- Corporate and development property now reflects the revenue of \$1,277k instead of the net gain or loss position. Please refer to note A8 for details.



Local government disclosures

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

	2019 \$000	2018 \$000
Number of rating units	11,243	11,201
Total Capital Value of rating units	8,050,169	8,015,673
Total Land Value of rating units	5,410,693	5,408,961

Breakdown of summary revenue for group of activities	2019 \$000	2018 \$000
Revenue		
Roading	8,353	9,463
Water Services – Water	526	546
Water Services – Sewerage	217	196
Solid Waste	816	728
Community Services - Library/Service Centre/Information Centre	82	81
Community Services - Swimming Pools	119	129
Community Services - Parks/Reserves/Sportsgrounds	59	54
Community Services - Halls and Community Centres	73	106
Community Services - Other Council Property	871	815
Community Services – Cemeteries	83	94
Regulatory Services - Resource Management	74	64
Regulatory Services - Animal Control	298	212
Regulatory Services - Environmental Health	40	34
Regulatory Services - Building Control	800	617
Regulatory Services - Liquor Licensing	65	89
Total activity revenue	12,476	13,228
Add		
Rates	26,049	25,327
Other Gains/(Losses)	2,193	3,290
Sales of corporate and development property	1,277	2,544
Petrol Tax	194	203
Other Revenue	674	637
	30,387	32,001
Total Revenue	42,863	45,299

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.

Breakdown of summary expenditure for group of activities	Note	2019 \$000	2018 \$000
Expenditure			
Community Leadership – Governance		1,562	1,137
Community Leadership – Community Support		375	382
Community Leadership – Economic Development		781	664
Community Leadership – Culture & Heritage		197	282
Roading		16,890	17,699
Water Services – Water		8,332	7,551
Water Services – Stormwater		843	673
Water Services – Sewerage		2,956	2,354
Solid Waste		1,508	1,398
Community Services – Library/Service Centre/Information Centre		1,434	1,323
Community Services – Swimming Pools		1,284	757
Community Services – Parks/Reserves/Sportsgrounds		1,095	1,021
Community Services – Halls and Community Centres		357	412
Community Services – Other Council Property		777	689
Community Services – Public Conveniences		393	349
Community Services – Cemeteries		260	223
Regulatory Services – Resource Management		287	207
Regulatory Services – Animal Control		343	359
Regulatory Services – Compliance		16	-
Regulatory Services – Environmental Health		165	169
Regulatory Services – Building Control		911	762
Regulatory Services – Liquor Licensing		92	89
Emergency Services – Civil Defence		109	102
Emergency Services – Rural Fire		4	4
Total activity expenditure		40,969	38,606
Add			
Additional Depreciation		304	460
Cost of sales corporate and development property		1,512	2,643
Forestry Expenditures		34	19
Other Expenditure		146	1,339
Internal Rates		(458)	(395)
		1,538	4,066
Total Expenditure		42,507	42,672
Operating Expenditures include:			
Grants, contributions and sponsorship		671	618
Impairment of receivables	D2	29	56
Minimum lease payments for operating leases		10	11
Other expenses		14,737	13,046
Roading repairs and maintenance		6,517	7,747
Fees paid to elected members		424	411



Explanation of major variances against budget

Expenditure

Expenditure was more than budget by \$3,276k but within the different categories there was some variance:

- Grants are under budget by \$106k due to the West Otago Pool grant of \$200k not being paid despite receiving unbudgeted grants from West Otago Commonage money and the Community Board of \$149k. The District Museums received \$46k less.
- Other operating expenditure is above budget by \$1,538k mainly caused by the following costs above budget - NZTA administration overhead \$638k, Water operational expenditure \$934k, Consultancy \$70k, Legal Fees \$102k, Bad debts written off \$64k, Rates Penalties written off \$170k, but offset by the timing of the Gold Trail funding saving of \$177k.
- Roading repairs are \$367k above budget due to emergency reinstatement costs of \$526k after a flooding event.
- Personnel costs are \$551k below budget mainly due to vacancies and the capitalisation of wages.
- Depreciation is above budget by \$346k.
- Corporate and development property now reflects cost of sales and impairment losses on Rosebank Industrial of \$1,512k instead of the net gain or loss position. Please refer to note A8 for details.

Fees to auditors

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

	2019 \$000	2018 \$000
Audit of financial statements	129	124
Audit of debenture trust and register	5	-
Audit of long-term plan	-	125
Total fees to auditors	134	249

A3 EMPLOYEE BENEFITS



Accounting policy

Employee Benefits 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.

	2019 \$000	2018 \$000
Employee Benefits Expenditure		
Salaries and wages	6,239	6,129
Kiwi-saver	167	162
Capitalised salary and wages	(366)	(638)
Total employee benefits expenditure	6,040	5,653

Refer to note D4 for employee entitlement liability as at 30 June 2019 and 30 June 2018.



Explanation of major variances against budget

Employee benefits expenditure

Employee benefits expenditure of \$6,040k has increased by \$387k from 2018, 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

Employee numbers and remuneration bands	2019 \$000	2018 \$000
Councillors		
Remuneration	424	411
Full-time equivalent members	15	15
Community Board Members		
Remuneration	43	43
Full-time equivalent members	12	12
Senior Management Team, including Chief Executive		
Remuneration	742	723
Full-time equivalent members	4	4
Severance Payments		
For the year ended 30 June 2019 Council made no severance payments (2018: \$30,137).		
Remuneration of Elected Members		
During the year to 30 June 2019, the total remuneration and value of other non-financial benefits received by or payable to the Mayor and other Elected Members were as follows:		
Elected Representatives	2019 \$000	2018 \$000
His Worship the Mayor B A Cadogan	94	90
Councillors		
Geoff Blackmore	23	22
John Cochrane	25	26
Stewart Cowie	28	27
Gaynor Finch	23	22
Bruce Graham	23	21
John Herbert	20	20
Rachel Jenkinson	21	21
Michelle Kennedy	22	22
Alison Ludemann	21	21
Hilary McNab	27	26
Ken Payne	21	21
Carol Sutherland	20	19
Bruce Vollweiler (including Hearing Fees of \$9k)	36	35
Selwyn Wilkinson	20	19
Lawrence/Tuapeka Community Board		
Quentin Currall	3	3
Geoff Davidson	3	3
Melinda Foster	3	3
Rochelle Langley	-	3
Matthew Little	1	-

Malcolm MacLeod	-	3
Garry McCorkindale	6	6
Liz Ritchie	2	-
Paul Tansley	3	-

West Otago Community Board

Cecil Crawford	3	3
Barbara Hanna	7	7
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 72 full time employees compared to 71 in 2018, with the balance of staff representing 18 full time equivalent employees (16 in 2018). 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 30th June:

	2019	2018
Salary Band	Number of Employees	Number of Employees
<60,000	84	73
60,000-80,000	21	23
80,000-100,000	15	15
100,000-280,000	11	11

Chief Executive

The total remuneration (including any non-financial benefits) paid or payable to the Chief Executive was \$260,190 (2018: \$254,460).

In addition, an annual leave entitlement of \$28,868 was paid at the conclusion of the Chief Executive's fixed term agreement on 9 June 2019. Steve Hill was reappointed as Chief Executive for a further 5-year term.

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

Other Transactions Involving Related Parties

Mayor Bryan Cadogan is involved with Gore/Clutha Women's Refuge \$4,317 (2018: \$8,634), Clutha Foundation \$10,000 (2018: \$0) and he purchased a lot from Plantation Heights \$0 (2018: \$105,000).

Chief Executive Steve Hill is on the Board of Clutha Developments Incorporated \$614,464 (2018: \$660,156).

Councillor Geoff Blackmore is involved with Simpson Park Sporting Complex \$6,832 (2018: \$6,832), St Patricks Parish Council \$1,136 (2018: \$0).

Councillor John Cochrane is involved with Clinton Cemetery Trust \$2,500 (2018: \$0).

Councillor Gaynor Finch is involved with the Clutha Vet association \$2,457 (2018: \$2,634), Otago Museum Board \$123,108 (2018: \$208,806), Waihola Looking Forward \$6,805 (2018: \$2,044).

Councillor Rachel Jenkinson is involved with Jenkinson Electrical \$16,182 (2018: \$0)

Councillor Hilary McNab is involved with Catlins Promotions \$460 (2018: \$0), Hina Hina Recreation Reserve \$1,800 (2018: \$1,800), Owaka Going Forward \$161 (2018: \$0), Catlins Coast \$3,122 (2018: \$0) and the Owaka Swimming Pool Committee \$9,694 (2018: \$10,221).

Councillor Ken Payne is involved with Agri Engineering Rosebank Industrial Estate \$164 (2018: \$4,350).

Councillor Bruce Vollweiler is involved with Milton Community Health Trust Project Bruce \$8,330 (2018: \$0), Tokomairiro Community Recreation Centre Trust Inc. \$8,696 (2018: \$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	2019 \$000	2018 \$000
Depreciation and Amortisation Expenditure			
Depreciation of property, plant and equipment	B1	12,506	12,729
Amortisation of Intangibles	B2	421	219
Total depreciation and amortisation		12,927	12,948



Local government disclosures

Depreciation and amortisation by group of activities:

	2019 \$000	2018 \$000
Roading	8,487	8,965
Water	1,748	1,649
Sewerage	931	834
Stormwater	291	286
Community services	687	716
Solid waste management	47	27
Regulatory and emergency services	11	11
Internal Services	725	460
Total depreciation and amortisation (Notes B1 and B2)	12,927	12,948

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.

Finance Costs	2019 \$000	2018 \$000
Bank	-	-
LGFA	20	-
Discount unwind on landfill provision	73	6
Total Finance Costs	93	6

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.

Net other gains and losses	2019 \$000	2018 \$000
Vested assets	694	1,547
Net (loss)/gain on disposal of property, plant and equipment	(583)	(526)
Net gain on disposal of forestry assets held for sale	432	-
Net gain on changes in fair value of financial assets at fair value through surplus or deficit	1,650	2,177
Net gain on changes in fair value of forestry asset	-	92
Total net other gains and losses	2,193	3,290



Explanation of major variances against budget

Net other gains and losses

- Vested assets from sub-divisions amounted to \$694k. Budget was zero.
- There was an unrealised gain of \$1,650k on the Nikko Investment portfolio. Budget was zero.

A7 INCOME TAX



Accounting policy

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

A8 CORPORATE AND DEVELOPMENT PROPERTY

Revenue	2019 \$000	2018 \$000
Proceeds Rosebank Industrial	-	1,280
Proceeds Plantation Heights	1,002	1,245
Proceeds Tapanui	140	18
Proceeds Other	135	1
Total revenue corporate and development properties	1,277	2,544
Expenditure		
Cost of sales Rosebank Industrial (includes impairment of \$353k)	353	1,576
Cost of sales Plantation Heights	956	1,050
Cost of sales Tapanui	159	17
Cost of sales Other	44	-
Total expenditure corporate and development properties	1,512	2,643
(loss) / gain on disposal of corporate and development properties		
(Loss) / gain Rosebank Industrial	(353)	(296)
Gain Plantation Heights	46	195
(Loss) / Gain Tapanui	(19)	1
Gain / (loss) Other	91	1
Total net (loss) / gain on disposal of corporate and development properties	(235)	(99)

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
Operational Assets		
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%
Infrastructural Assets		
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%
Restricted assets		
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

2019														
Cost /Valuation 1 July 2018 (\$000)	Additions (\$000)	Disposals (\$000)	Transfers (\$000)	Revaluation (\$000)	Cost /Valuation 30 June 2019 (\$000)	Accumulated depreciation charges 1 July 2018 (\$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 2019 (\$000)	Carrying amount 30 June 2019 (\$000)		
Operational Assets														
At Cost														
Land	3,024				3,024	-					-	3,024		
Buildings	14,015	145			14,160	(4,270)		(281)			(4,551)	9,609		
Land - restricted	1,457		(35)		1,422	-					-	1,422		
Land under forests	-				-	-					-	-		
Buildings - restricted	3,916	255	(16)	9	4,164	(1,308)		(79)	7		(1,380)	2,784		
Furniture and equipment	1,281	147		12	1,440	(827)		(200)			(1,027)	413		
Plant and Motor vehicles	2,864	764	(129)	48	3,547	(1,339)		(399)	127		(1,611)	1,936		
Library Books	761	105			866	(436)		(89)			(525)	341		
Work in progress	103	375		(69)	409	-					-	409		
Total Operational Assets	27,422	1,791	(180)	-	29,033	(8,180)	-	(1,048)	134	-	(9,094)	19,939		
Infrastructural Assets														
Roads - Formation	536,648	188	-	-	536,836	-		-	-	-	-	536,836		
Roads - Pavement (sealed)	149,339	2,709	-	-	152,048	(3,896)		(3,827)	-	-	(7,723)	144,325		
Roads - Pavement (unsealed)	83,291	2,068	-	-	85,359	(2,622)		(2,229)	-	-	(4,851)	80,508		
Roads - Other roading assets	41,288	739	-	-	42,027	(1,150)		(1,146)	-	-	(2,296)	39,731		
Roads - Other	7,506	1,162	-	-	8,668	(512)		(501)	-	-	(1,013)	7,655		
Roads - Bridges	41,593	458	-	-	42,051	(785)		(785)	-	-	(1,570)	40,481		
Land under roads	7,833	-	-	-	7,833	-		-	-	-	-	7,833		
Stormwater	11,587	437	(3)	4	12,025	(286)		(291)	-	-	(577)	11,448		
Sewerage	38,533	392	(15)	2,484	41,394	(831)		(931)	-	-	(1,762)	39,632		
Water	62,398	4,274	(629)	2,186	68,229	(1,638)		(1,748)	20	-	(3,366)	64,863		
Work in Progress	5,457	1,759		(4,674)	2,542	-		-	-	-	-	2,542		
Total Infrastructural Assets	985,473	14,186	(647)	-	999,012	(11,720)	-	(11,458)	20	-	(23,158)	975,854		
Total Property, Plant and Equipment	1,012,895	15,977	(827)	-	1,028,045	(19,900)	-	(12,506)	154	-	(32,252)	995,793		

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)
Operational Assets													
At Cost													
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
Total Operational Assets	32,182	650	(4,607)	(804)	-	27,422	(11,794)	-	(995)	4,609	-	(8,180)	19,242
Infrastructural Assets													
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
Total Infrastructural Assets	969,542	16,505	(574)	-	-	985,473	-	-	(11,734)	14	-	(11,720)	973,753
Total Property, Plant and Equipment	1,001,724	17,155	(5,181)	(804)	-	1,012,895	(11,794)	-	(12,729)	4,623	-	(19,900)	992,995



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:

	2019	2018
	\$000	\$000
Land and buildings, including parks and reserves	4,209	4,065
Total	4,209	4,065

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 (2018: \$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 2019 \$000	Additions constructed by Council \$000	Additions transferred to Council \$000	Estimated replacement cost \$000
Water Supply	Treatment plants and facilities	21,139	2,522	159	37,954
Water Supply	Other assets (such as reticulation systems)	43,722	3,617	163	78,695
Sewerage	Treatment plants and facilities	15,318	2,724	24	22,526
Sewerage	Other assets (such as reticulation systems)	24,314	77	51	48,890
Stormwater/Drainage		11,448	144	297	25,972
Roads and Footpaths		848,083	7,324	-	889,111

Insurance of assets

Under the LGA 2002, Council is required to disclose the following information on insurance of assets as at 30 June 2019:

	2019 Actual \$000	2018 Actual \$000	2017 Actual \$000
Total value of all assets of the local authority that are covered by insurance contracts	51,021	46,714	44,859
Maximum amount to which they are insured	158,751	156,917	151,776
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>)	80,005	78,127	78,618
Total value of funds maintained for self-insured assets (<u>Underground assets</u>)	300	238	176

Roads are not insured, there is an expectation of NZTA subsidy should an event occur.

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.

Computer Software	\$000
Gross carrying amount	
Balance at 1 July 2017	803
Additions	714
Transfer from Work In Progress	622
Disposals	-
Intangibles Expensed during the year	-
Balance at 1 July 2018	2,139
Additions	324
Transfers from Work In Progress	-
Disposals	-
Balance at 30 June 2019	2,463
Accumulated amortisation	
Balance at 1 July 2017	803
Amortisation Expenditure	219
Disposals	-
Amortisation reversed on intangibles Expensed during the year	-
Balance at 1 July 2018	1,022
Amortisation Expenditure	421
Disposals	-
Balance at 30 June 2019	1,443
Net Book Value	
As at 30 June 2018	1,117
As at 30 June 2019	1,020

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 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		
	2019	2018
Current	\$000	\$000
LGFA	-	-
Non-Current		
LGFA	5,020	-
Total	5,020	-

Council borrowed \$2.5m funds in April 2019 at 2.29% maturing in April 2022 as well as \$2.5m in April 2019 at 2.44% maturing in April 2023 from the Local Government Funding Agency (LGFA). Council's borrowings with the LGFA are secured by negative pledge including future general rates. Council has a multi option credit line facility of \$3m which expires 31 July 2020 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% (2018: 0%), and on LGFA borrowings 2.39% (2018: 0%).



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 2019, as reflected below:

Internal borrowings	Opening Balance 2018	Borrowed during the Year	Funds Repaid in the Year	Interest Paid in the Year for information	Closing Balance 2019
	\$000	\$000	\$000	\$000	\$000
Administration	175	-	10	7	165
Community Services	7,955	-	225	307	7,730
Community Leadership	1,993	22	51	78	1,964
Economic Development	302	74	8	12	368
Emergency Services	81	-	2	3	79
Water	5,314	1,270	260	208	6,324
Sewerage	2,728	37	139	107	2,626
Stormwater	387	-	33	15	354
Regulatory	166	-	16	6	150
Roading	7,360	-	316	288	7,044
Total	26,461	1,403	1,060	1,031	26,804



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 2019 or 30 June 2018.

- 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.

	2019	2018
	\$000	\$000
Financial Assets		
Cash and cash equivalents (AC)	4,092	1,217
Trade and other receivables – Loans and receivables (AC)	3,173	6,389
Other Financial Assets		
Fair value through surplus or deficit - held for trading (FVTPL)	27,210	25,520
Money market cash deposit (FVTPL)	-	-
Unlisted Shares in LGFA (AFS)	80	-
ANZ – Term Deposit (FVTPL)	-	-
Available-for-sale financial assets (AFS)	55	52
Financial Liabilities		
Bank overdraft (AC)	-	-
Trade and other payables (AC)	5,439	7,029
LGFA Borrowings (AC)	5,020	-
Other Liabilities (AC)	60	58

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.

	2019 \$000	2018 \$000
At fair value through surplus or deficit classified as held for trading		
Current		
Wholesale NZ Bond Fund – Unit Trusts - Nikko AM	3,975	3,660
Wholesale NZ Cash Fund – Unit Trusts - Nikko AM	1,850	1,852
Wholesale Core Equity Fund – Unit Trusts – Nikko AM	3,436	3,392
Wholesale Global Bond Fund – Unit Trusts – Nikko AM	7,795	7,001
Wholesale Global Equity Unhedged Fund – Unit Trusts – Nikko AM	5,283	5,271
Wholesale Global Equity Hedged Fund – Unit Trusts – Nikko AM	3,016	2,798
Wholesale Property Fund – Unit Trusts – Nikko AM	1,856	1,546
	27,210	25,520
Available-for-sale at fair value:		
Non-Current		
Equity Securities – Civic Assurance	55	52
Unlisted Shares in LGFA	80	-
	135	52
Disclosed in the financial statements as:		
Current	27,210	25,520
Non-current	135	52
	27,345	25,572

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

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:

		Quoted Market Price	Observable Inputs	Significant Non- observable Inputs
	Total	2019	2019	2019
		\$000	\$000	\$000
Financial assets at FVTPL				
Wholesale NZ Bond Fund – Unit Trusts - Nikko AM	3,975	-	3,975	-
Wholesale NZ Cash Fund – Unit Trusts - Nikko AM	1,850	-	1,850	-
Wholesale Core Equity Fund – Unit Trusts – Nikko AM	3,436	-	3,436	-
Wholesale Global Bond Fund – Unit Trusts – Nikko AM	7,795	-	7,795	-
Wholesale Global Equity Unhedged Fund – Unit Trusts – Nikko AM	5,283	-	5,283	-
Wholesale Global Equity Hedged Fund – Unit Trusts – Nikko AM	3,016	-	3,016	-
Wholesale Property Fund – Unit Trusts – Nikko AM	1,856	-	1,856	-
Available for sale financial assets				
Equity Securities – Civic Assurance	55	-	-	55
Unlisted Shares - LGFA	80	-	-	80



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.

	2019 \$000	2018 \$000
Cash and cash equivalents	592	1,217
Term deposits with maturities of less than three months at acquisition	3,500	-
Total cash and cash equivalents	4,092	1,217

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 \$60 (2018: \$58).

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

	2019 \$000	2018 \$000
Trade and other receivables – see below	893	873
Rates receivable	416	823
	1,309	1,696
Allowance for doubtful debts – see below	(251)	(222)
Net trade and other receivables	1,058	1,474
NZTA Subsidy	2,115	4,915
Total receivables and prepayments	3,173	6,389
Disclosed in the financial statements as:		
Current	3,173	6,389
Non-current	-	-
Total receivables and prepayments	3,173	6,389
Receivables from non-exchange transactions:		
This includes outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates.	2,531	5,738
Receivables from exchange transactions:		
This includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.	642	651
	3,173	6,389

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

	2019 \$000	2018 \$000
Past due 1 to 3 months	237	221
Past due 3 to 6 months	188	187
Past due 6 to 9 months	99	146
Past due 9 to 12 months	99	146
Past due > 12 months	686	996
Total trade and other receivables past due	1,309	1,696

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:

	2019 \$000	2018 \$000
Balance at Beginning of year	222	166
Amounts written off during the year	-	-
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in Statement of Comprehensive Revenue and Expenditure	29	56
Doubtful debt provision balance at end of year	251	222

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

	2019 \$000	2018 \$000
Payables and accruals under exchange transactions		
Trade and sundry payables	5,475	6,270
Deposits and retentions	502	654
Payables and accruals under non-exchange transactions		
Rates in advance	-	-
GST Payable	(538)	105
Total payables and accruals	5,439	7,029

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

	2019 \$000	2018 \$000
Salary and wage accrual	201	197
Annual leave	345	367
Long service leave	9	9
Retirement gratuities	54	53
Total employee entitlements	609	626

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.



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% (2018: 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

	2019 \$000	2018 \$000
Balance at beginning of year	731	750
Finance costs – Discount unwind	73	6
Amounts used	(39)	(25)
Balance at end of year	765	731

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

	2019 \$000	2018 \$000
Available-for-sale revaluation reserve (a)	(22)	(25)
Asset revaluation reserve (b)	744,208	744,208
Trust Funds (c)	420	408
Reserves (d and e)	53,581	51,572
Balance at end of year	798,187	796,163
	2019 \$000	2018 \$000
(a) Available-for-Sale Revaluation Reserve		
Balance at beginning of year	(25)	(25)
Valuation gain/(loss) recognised	3	-
- Equity securities	-	-
Balance at end of year	(22)	(25)

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

	2019	2018
	\$000	\$000
Balance at beginning of year	744,208	744,208
Revaluation (decrease) / increase		
- Roothing revaluation	-	-
- Stormwater revaluation	-	-
- Wastewater revaluation	-	-
- Water revaluation	-	-
	-	-
Balance at end of year	744,208	744,208

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

	Roothing	Stormwater	Wastewater	Water	Total
	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2017	677,123	6,683	26,634	33,768	744,208
Revaluation increase /(decrease)	-	-	-	-	-
Balance at 30 June 2018	677,123	6,683	26,634	33,768	744,208
Revaluation increase / (decrease)	-	-	-	-	-
Balance at 30 June 2019	677,123	6,683	26,634	33,768	744,208

(c) Trust Funds (restricted)

	2019 \$000	2018 \$000
Balance at beginning of year	408	396
Transfer from/(to) accumulated comprehensive revenue and expenditure		
- Transfer from accumulated comprehensive revenue and expenditure	12	12
- Transfer to accumulated comprehensive revenue and expenditure	-	-
Balance at end of year	420	408

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 2018 \$000	Transfers into the reserve \$000	Interest Allocated \$000	Transfers out of the reserve \$000	Closing Balance 2019 \$000
Trust Funds		408	-	13	1	420
Tapanui Domain Trust	Trust	14	-	-	-	14
Butler Trust	Trust	1	-	-	-	1
Milton Brass Band	Trust	1	-	-	-	1
O'Hara Sports Trust	Trust	2	-	-	-	2
JD Swan Estate	Trust	9	-	-	-	9
George Melville Estate	Trust	152	-	5	-	157
Kate Leslie Trust	Trust	113	-	4	1	116
Elderly Citizens Trust (Lawrence)	Trust	30	-	1	-	31
Clinton Endowment Land	Trust	87	-	2	-	89

(d) Reserves

	\$000	\$000
Balance at beginning of year	51,572	51,121
Transfer from/(to) accumulated comprehensive revenue and expenditure		
- Transfer from accumulated comprehensive revenue and expenditure	7,728	9,307
- Transfer to accumulated comprehensive revenue and expenditure	(8,248)	(9,152)
- Additional reserves created	-	-
- Investment Fund Balance	2,529	296
Balance at end of year	53,581	51,572

(d) Reserve Funds

 Local government disclosures

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

Fund	Type/ Purpose	Opening Balance 2018 \$000	Transfers into the reserve \$000	Interest Allocated \$000	Transfers out of the reserve \$000	Closing Balance 2019 \$000
Community Leadership		406	-	11	53	364
Election Fund	Spec	69	-	2	-	71
Lawrence/Tuapeka Community Board	Spec	33	-	1	-	34
West Otago Community Board	Spec	103	-	2	50	55
Tuapeka Bursary	Spec	35	-	1	3	33
Economic Development	Spec	25	-	1	-	26
Clutha Gold Trail	Spec	61	-	2	-	63
Opportunities Fund	Spec	69	-	2	-	71
Signage	Spec	7	-	-	-	7
Welcome to Signage	Spec	4	-	-	-	4
Internal Services		1,203	537	23	989	774
Information Technology	Depn	(708)	168	(29)	442	(1,011)
Office Computer Equipment	Spec	86	-	3	-	89
Rosebank Terrace Main Office	Depn	604	56	17	93	584
Underground Insurance	Spec	237	54	9	-	300
Human Resources	Spec	18	-	1	-	19
Cars	Spec	662	240	13	454	461
Gratuities	Spec	72	-	2	-	74
G.I.S.	Spec	82	19	3	-	104
District Assets Infrastructure	Spec	1	-	-	-	1
Policy and Communication	Spec	149	-	4	-	153
Roading		6,698	652	213	251	7,312
Roading	Depn	5,160	652	167	251	5,728
Roading – Bridge Lights	Spec	41	-	1	-	42
Balclutha Main Street	Spec	56	-	2	-	58
Deferred Roothing	Depn	1,441	-	43	-	1,484
Water		6,994	1,604	132	4,258	4,472
Urban	Depn	465	686	(8)	1,430	(287)
Urban	Spec	386	-	12	-	398
Balmoral No. 1	Depn	384	22	9	95	320
Balmoral No. 1	Spec	30	-	1	-	31
Balmoral No. 2	Depn	147	51	4	55	147
Balmoral No. 2	Spec	129	-	4	-	133
Clydevale/Pomahaka	Depn	394	123	4	400	121
Glenkenich	Depn	486	108	10	276	328
Glenkenich Rural Water Scheme	Spec	1	-	-	-	1



Local government disclosures

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

Fund	Type/ Purpose	Opening Balance 2018 \$000	Transfers into the reserve \$000	Interest Allocated \$000	Transfers out of the reserve \$000	Closing Balance 2019 \$000
Moa Flat	Depn	602	122	16	202	538
Moa Flat Rural Water Scheme	Spec	2	-	-	-	2
North Bruce	Depn	533	103	16	90	562
Richardson	Depn	692	119	1	785	27
Richardson Rural Water Scheme	Spec	490	-	15	-	505
South Bruce	Depn	350	20	1	337	34
Tuapeka RWS	Depn	25	80	3	-	108
Tuapeka RWS	Spec	-	-	-	-	-
Waipahi	Depn	207	27	4	97	141
Waitahuna	Depn	244	48	6	98	201
Wangaloa	Depn	129	13	4	23	123
Stirling Treatment Plant	Depn	193	38	(1)	278	(48)
Stirling Water Treatment	Spec	169	-	5	-	174
Kaitangata Treatment Plant	Depn	224	44	8	-	276
Wangaloa Plant Renewal	Spec	15	-	-	-	15
Telemetry	Depn	532	-	13	92	453
Telemetry	Spec	164	-	5	-	169
Sewerage		7,034	822	202	1,102	6,956
Sewerage	Depn	6,169	822	177	1,102	6,066
Sewerage	Spec	865	-	25	-	890
Stormwater		1,974	278	54	465	1,841
Stormwater	Depn	1,952	278	53	465	1,818
Stormwater	Spec	22	-	1	-	23
Waste Management		1,990	205	66	-	2,261
Solid Waste	Depn	1,990	205	66	-	2,261
Community Services		5,499	611	161	604	5,667
Libraries	Depn	49	130	2	105	76
Service Centres	Depn	121	16	3	22	118
Service Centres	Spec	223	-	7	-	230
Balclutha Pool	Depn	44	50	-	95	(1)
Kaitangata Pool	Depn	199	-	6	-	205
Kaitangata Pool	Spec	79	-	2	-	81
Lawrence Pool	Depn	130	-	4	-	134
Lawrence Pool	Spec	45	-	1	-	46
Milton Pool	Depn	1	24	-	23	2
Reserve Contributions	Spec	52	12	2	-	66
Parks and Reserves	Depn	105	15	2	39	83



Local government disclosures

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

Fund	Type/ Purpose	Opening Balance 2018 \$000	Transfers into the reserve \$000	Interest Allocated \$000	Transfers out of the reserve \$000	Closing Balance 2019 \$000
Sports Grounds	Depn	248	-	7	-	255
Grandstand 2000	Depn	146	-	4	-	150
Cemetery	Depn	169	-	4	33	140
Cemeteries	Spec	492	-	15	-	507
Kaitangata Cemetery	Spec	14	-	-	-	14
Lawrence Cemetery	Spec	28	-	1	-	29
Public Conveniences	Depn	287	48	5	180	160
Balclutha Town Hall	Depn	443	46	15	-	504
Balclutha Town Hall	Spec	169	-	5	-	174
Milton Civic Centre	Depn	14	-	-	-	14
Kaitangata Hall	Depn	27	-	1	-	28
Clutha Valley Hall	Depn	75	3	1	34	45
Hillend Hall	Depn	25	3	1	-	29
Kaka Point Hall	Depn	35	7	1	3	40
Lovells Flat	Depn	13	-	-	-	13
Moneymore	Depn	10	-	-	-	10
Owaka Hall	Depn	66	3	2	-	71
Waihola Hall	Depn	5	-	-	-	5
Waipahi Hall	Depn	15	1	-	4	12
Waitahuna Hall	Depn	101	94	6	-	201
Waiwera Hall	Depn	7	10	1	-	18
Various Halls	Depn	138	10	4	-	152
Naish Park Camping Ground	Depn	40	16	2	2	56
Kaka Point Camping Ground	Depn	64	10	2	-	76
Taylor Park Camping Ground	Depn	58	1	2	-	61
Pounawea Camping Ground	Depn	4	7	-	2	9
Waihola Camping Ground	Depn	7	-	-	-	7
Community Housing	Depn	625	105	20	62	688
Endowment Land	Spec	575	-	17	-	592
Depots	Depn	341	-	10	-	351
Other Property	Depn	121	-	4	-	125
Dunrobin Recreation Reserve*	Spec	68	-	2	-	70
Parkhill Recreations Reserve Board*	Spec	5	-	-	-	5
Waikoikoi Domain Board*	Spec	16	-	-	-	16
Regulatory and Emergency Services		42	52	3	-	97
Animal Control	Depn	12	2	-	-	14
Civil Defence and Emergency	Depn	-	50	2	-	52
Rural Fire	Depn	30	-	1	-	31



Local government disclosures

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

Fund	Type/ Purpose	Opening Balance 2018 \$000	Transfers into the reserve \$000	Interest Allocated \$000	Transfers out of the reserve \$000	Closing Balance 2019 \$000
Funds Not Specifically Allocated to an Activity Council		19,731	2,967	1,664	526	23,837
General Funds	Spec	3,293	2,967	26	489	5,798
Serdel – Externally Invested	Spec	4,773	-	-	-	4,773
Forestry Fund – Externally Invested	Spec	5,728	-	123	-	5,851
Investment Fund Balance	Spec	-	-	-	-	-
Rates Disbursement Reserve	Spec	788	-	933	-	1,721
Treasury Return to Balance Reserve	Spec	422	-	441	-	863
Education Fund	Spec	14	-	-	-	14
Land and Buildings	Spec	195	-	6	-	201
Emergency Fund	Spec	4,290	-	129	-	4,419
Capital Works and Purchases	Spec	137	-	4	-	141
Bulb Growing Project	Spec	26	-	-	23	3
Lawrence Heritage	Spec	27	-	1	-	28
Milton Pipe band	Spec	14	-	-	14	-
Momona Airport Refund	Spec	27	-	1	-	28
Unrestricted Reserves		51,572	7,728	2,529	8,248	53,581

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

Accumulated Comprehensive Revenue and Expenditure

	2019 \$000	2018 \$000
Balance at beginning of year	226,803	224,709
Net Surplus for the year	356	2,557
Transfer from/(to)		
- Transfer from Reserves	8,248	9,152
- Additional reserves created	-	-
- Transfer to Reserves to balance investments	(2,529)	(296)
- Transfer to Reserves	(7,728)	(9,307)
- Transfer to Trust Funds	(12)	(12)
Balance at end of year	225,138	226,803

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.

	Notes	2019 \$000	2018 \$000
Reconciliation of changes in carrying amount			
Balance at beginning of year		420	317
Decrease due to sales		(420)	-
Increase due to land transferred in		-	11
Gains arising from changes in fair value less estimated costs to sell attributable to price changes		-	92
Balance at end of year		-	420

As all the forests were sold during the year there is no need to provide a valuation.

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.

	2019 \$000	2018 \$000
ROSEBANK INDUSTRIAL SITE		
Opening Balance	25	999
Plus: Additions in current year	1,152	602
Less: Amounts expensed due to sale	-	(1,230)
Less: Impairment loss	(353)	(346)
Closing Balance	824	25
PLANTATION HEIGHTS		
Opening Balance	3,529	4,063
Plus: Additions in current year	340	516
Less: Amounts expensed due to sale	(956)	(1,050)
Closing Balance	2,913	3,529
TAPANUI SUBDIVISION		
Opening Balance	146	161
Plus: Additions in current year	13	2
Less: Amounts expensed due to sale	(159)	(17)
Closing Balance	-	146
KAITANGATA HOUSE AND LAND PACKAGE		
Opening amount capitalised	-	-
Plus: Additions in current year	58	-
Less: Amounts expensed due to sale	-	-
Closing Balance	58	-
Total	3,795	3,700

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 2018/2028. 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 LGFA borrowings, as well as 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:

- LGFA debt impact not considered material at this stage.
- Surplus would decrease/increase by \$93k (2018: \$106k). 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 \$1,548 (2018: \$1,489) as the equity investments are classified as fair value through surplus or deficit as held for trading.

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 equity investments held within Unit Trusts with Nikko AM. 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.

2019	Weighted	Fixed Maturity Dates						Non	Total
	Average	Less than	1-2	2-3	3-4	4-5	5+	Interest	
	Effective	1 year	Years	Years	Years	Years	Years	Bearing	
	Interest	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	Rate %								
Financial liabilities:									
Trade and other payables	-	-	-	-	-	-	-	5,439	5,439
Borrowings	2.39	118	118	2,618	2,561	-	-	-	5,415
Other Liabilities	-	-	-	-	-	-	-	60	60
Total	-	118	118	2,618	2,561	-	-	5,499	10,914

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

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, LGFA borrowings 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.

	2019 \$000	2018 \$000
Amount used	-	-
Amount unused	250	250
	250	250
Multi Option Credit Facility with Westpac Banking Corporation (secured by a negative pledge over rates)		
Amount used	-	-
Amount unused	3,000	3,000
	3,000	3,000

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 currency 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 three pending court cases around a decision to cut down trees, a land swap arrangement and the removal of a ratepayer from decision-making capacity. As we are unable to quantify any liability, we are disclosing these as contingent liabilities. There are no other contingent liabilities or contingent assets (2018 Nil).

Expenditure commitments - Non- cancellable contracts

	2019 \$000	2018 \$000
Not later than 1 year	6,056	7,972
Later than 1 year, less than 5 years	7,446	9,370
Later than 5 years	-	-
	13,502	17,342

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.

	2019	2018
	\$000	\$000
Non-Cancellable Operating Lease Payments		
No longer than 1 year	2	4
Longer than 1 year and not longer than 5 years	-	2
Longer than 5 years	-	-
	2	6

Subsequent events

There were no other significant events subsequent to balance date.

F2 FUNDING IMPACT STATEMENT – WHOLE OF COUNCIL

For the Year ended 30 June 2019

(\$000)	2019 Annual Plan	2019 Actual	2018 Annual Plan	2018 Actual
SOURCES OF OPERATING FUNDING				
General rates, UAGC's, rates penalties	4,506	4,609	5,344	4,900
Targeted rates	21,529	21,898	20,541	20,427
Subsidies and grants for operating purposes	3,647	3,905	3,144	4,350
Fees and charges	2,970	4,444	4,647	3,909
Interest and Dividends from Investments	1,257	505	850	556
Fuel tax, fines, infringement fees and other receipts	1,708	194	-	203
Total operating funding	35,616	35,555	34,526	34,345
APPLICATIONS OF OPERATING FUNDING				
Payments to staff and suppliers	26,650	28,501	25,561	28,106
Finance costs	-	93	-	6
Other operating funding applications	-	-	-	-
Total applications of operating funding	26,650	28,594	25,561	28,112
SURPLUS (DEFICIT) OF OPERATING FUNDING	8,966	6,961	8,965	6,233
SOURCES OF CAPITAL FUNDING				
Subsidies and grants for capital expenditure	5,084	4,296	5,730	5,051
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	6,000	5,020	-	-
Gross proceeds from sale of assets / development property	2,324	828	-	574
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	13,408	10,144	5,730	5,625
APPLICATIONS OF CAPITAL FUNDING				
Capital expenditure to meet additional demand	37	223	-	1,473
Capital expenditure to improve the level of service	9,807	3,207	12,320	4,803
Capital expenditure to replace existing assets	13,517	12,879	15,456	10,883
(Increase) decrease in reserves	(1,125)	(2,704)	74	(7,801)
(Increase) decrease of investments	138	3,500	(13,155)	2,500
Total applications of capital funding	22,374	17,105	14,695	11,858
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(8,966)	(6,961)	(8,965)	(6,233)
FUNDING BALANCE	-	-	-	-

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 2019

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.

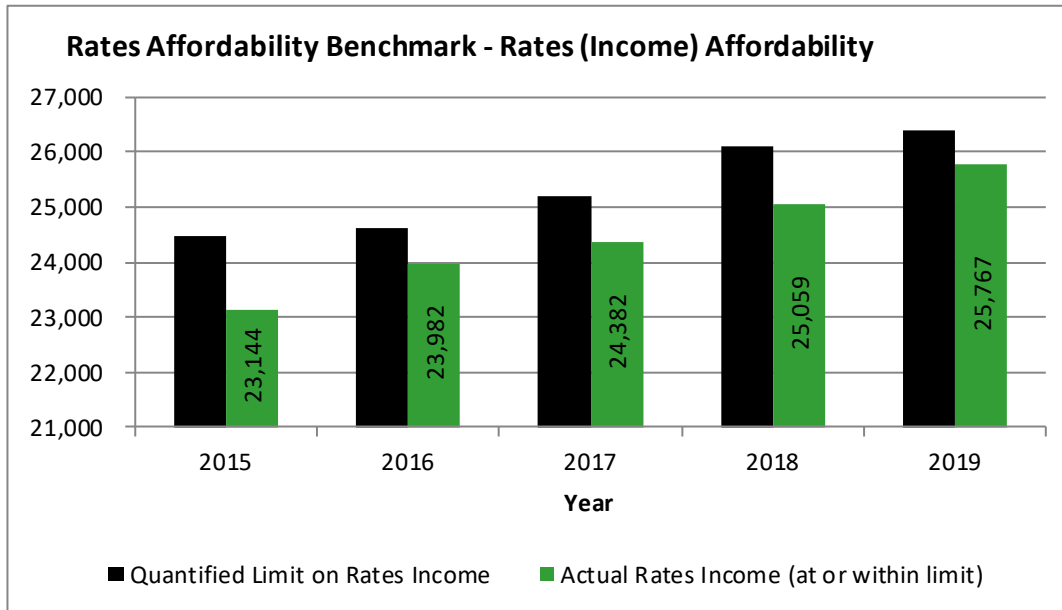
Unless prescribed by the regulations, the quantified limit for each benchmark is calculated using financial information disclosed in the LTP 2018/2028 including the prospective financial statements.

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.

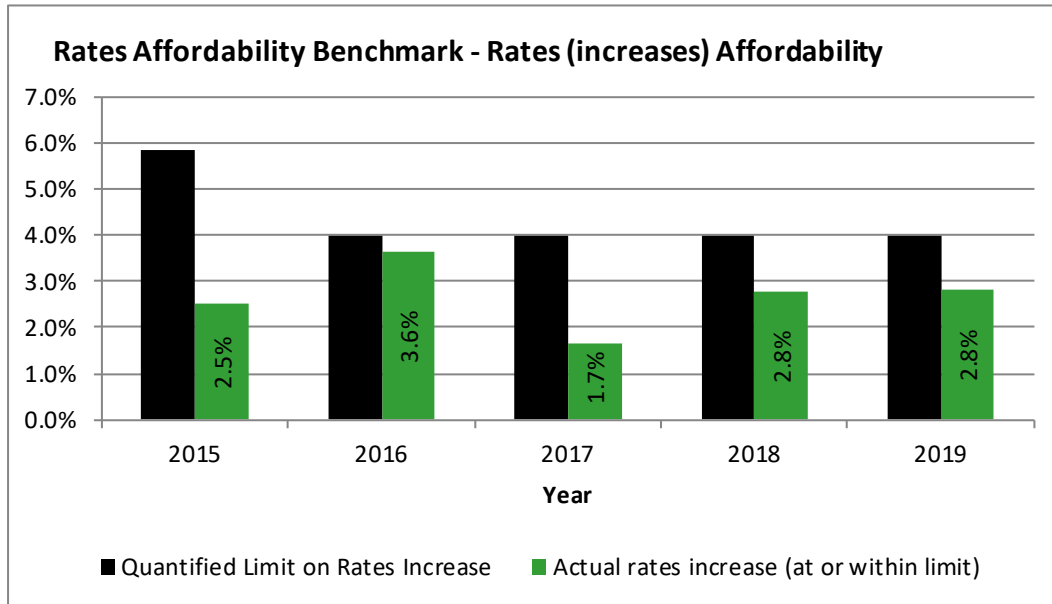
The following graph compares Council's actual rates revenue with a quantified limit on rates contained in the financial strategy included in Council's 2018/28 long term plan.



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 2018/28 long term plan.

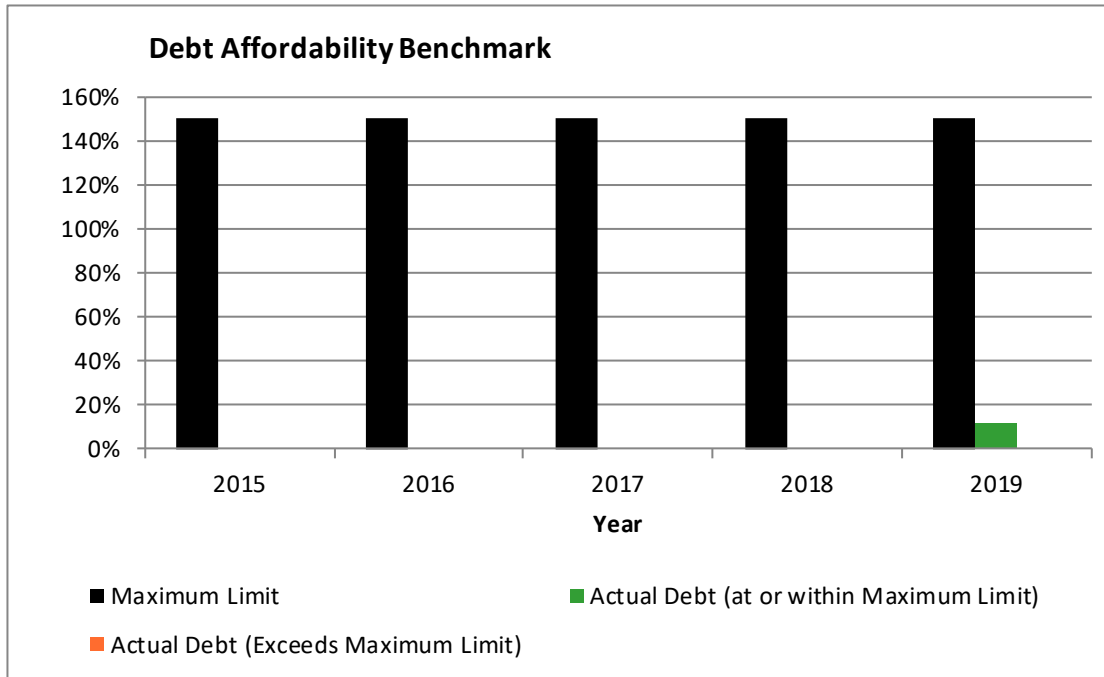


Council rates have not exceeded the percentage increase limits set.

DEBT AFFORDABILITY BENCHMARK

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

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's 2018/28 long term plan. The quantified limit is 150% of annual revenue.

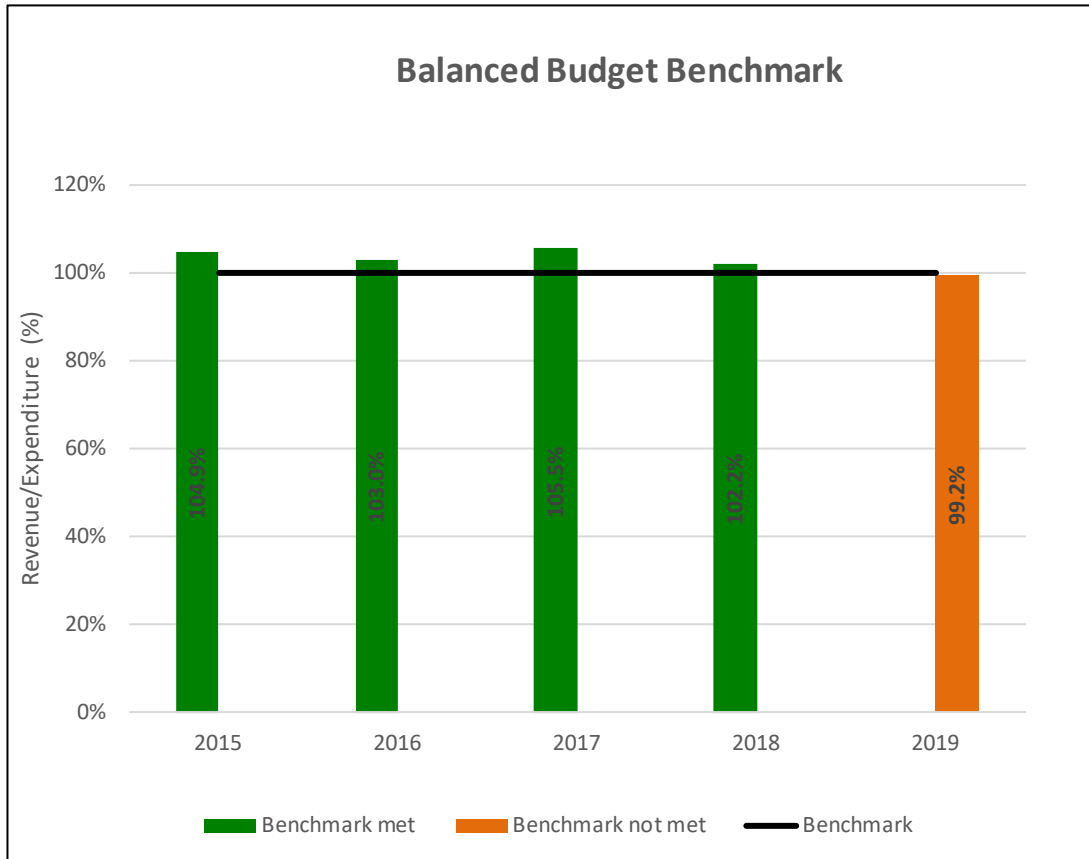


Council now has external public debt and has complied with its debt affordability benchmark.

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).

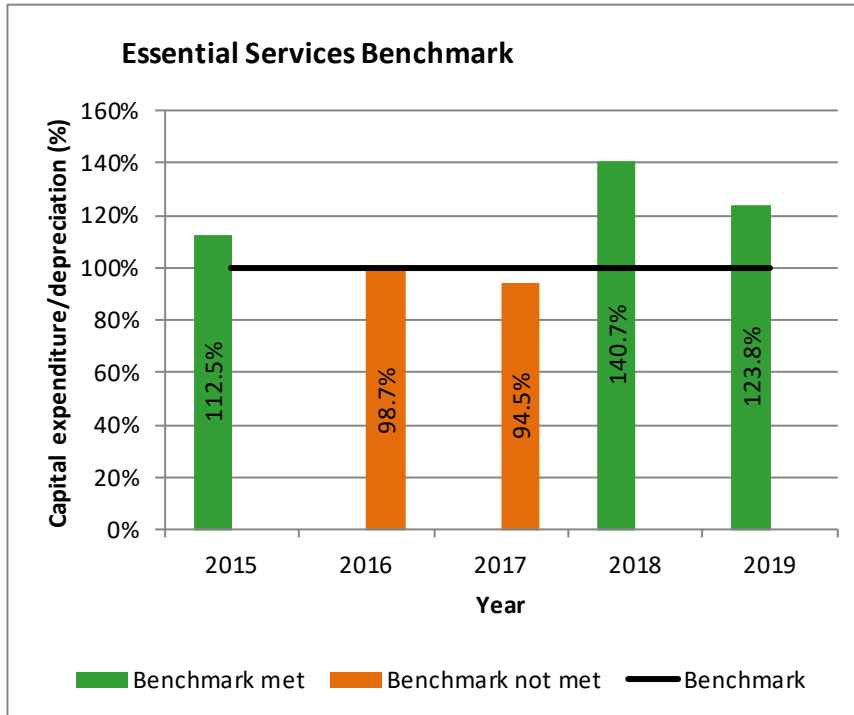
Council meets this benchmark if its revenue equals or is greater than its operating expenditures.



Council has narrowly missed 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.

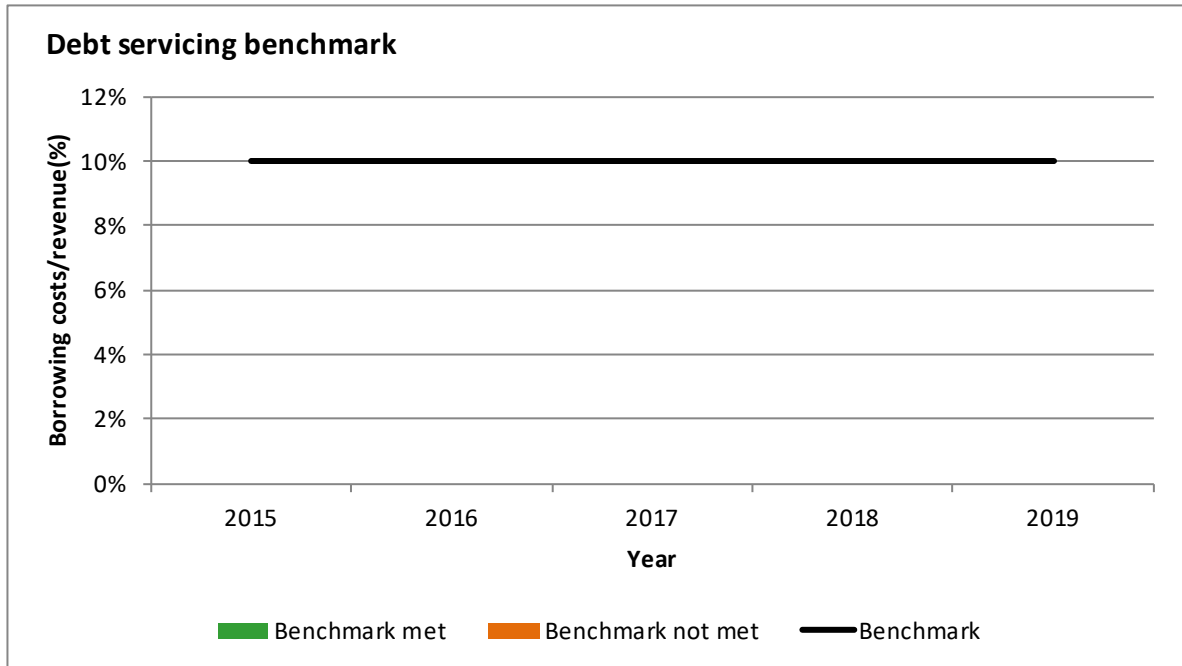


Council has met this benchmark.

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.



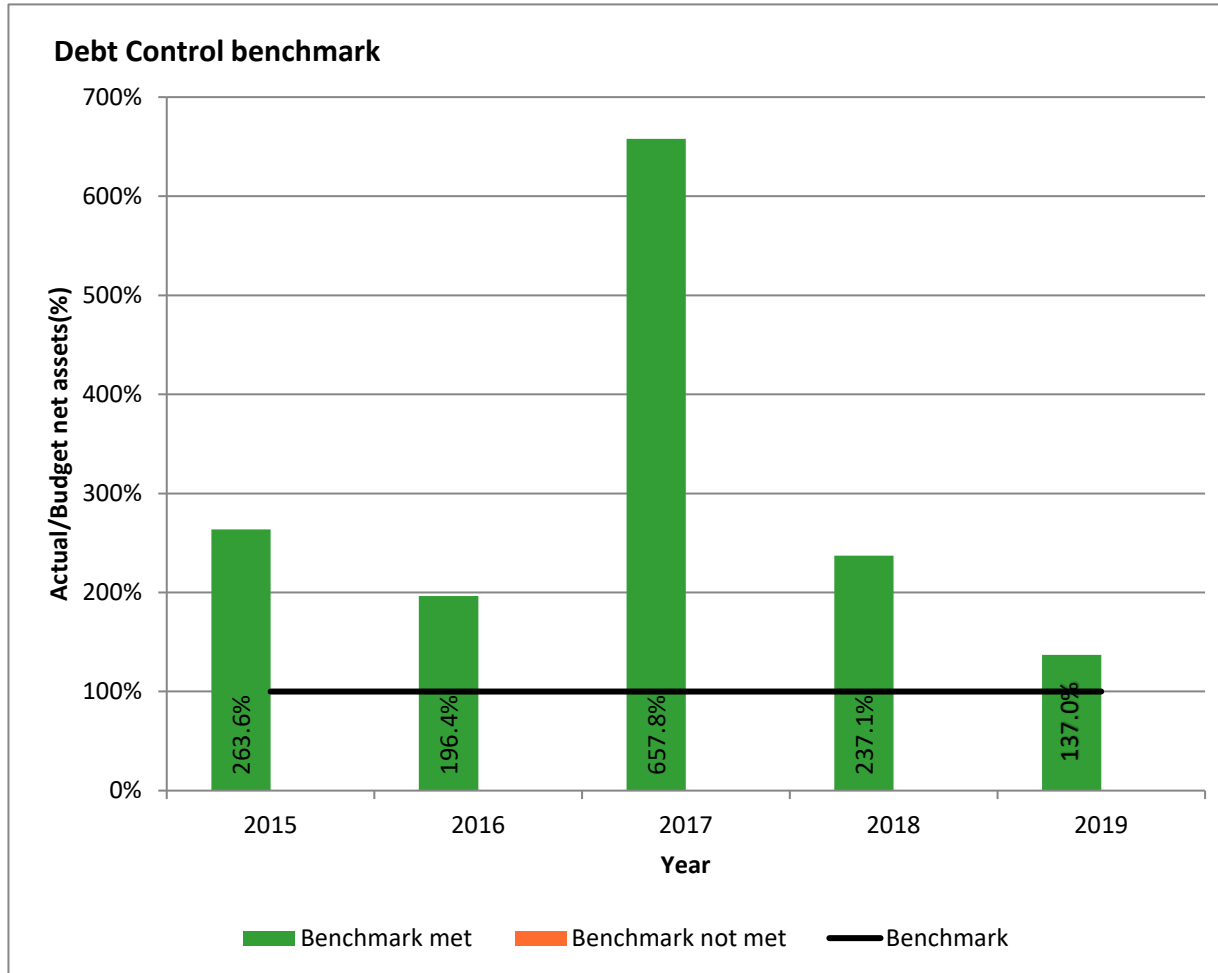
Council now has external public debt, but the borrowing costs are currently too low to calculate a percentage.

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.



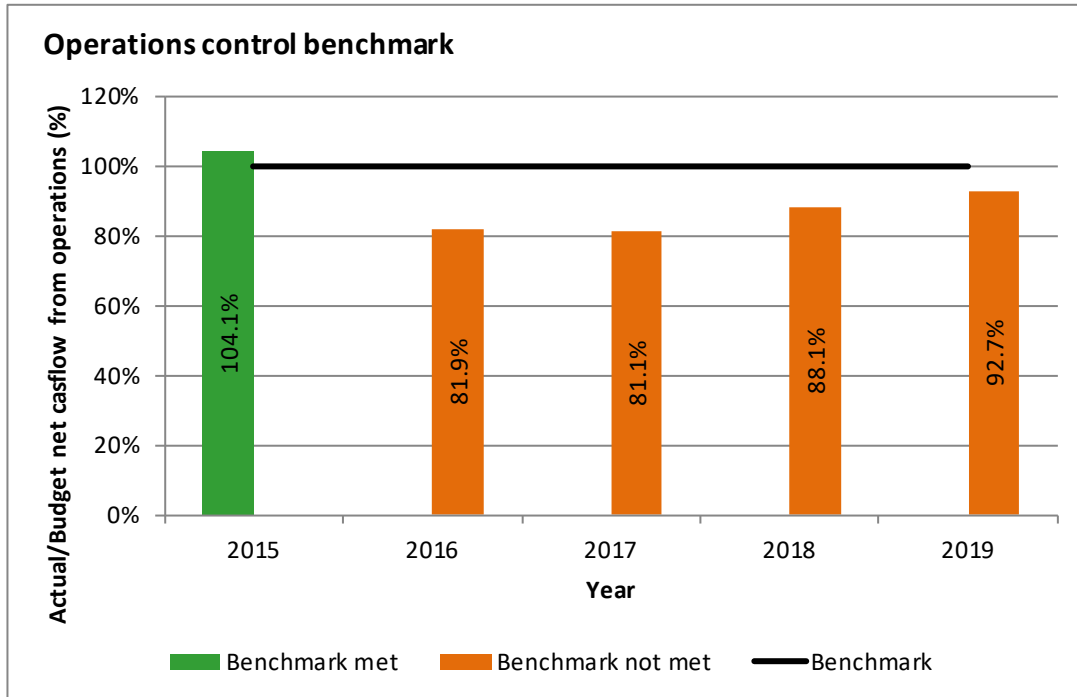
Council has met this benchmark.

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.