

# YOUR COMMUNITY - YOUR COUNCIL

# ANNUAL REPORT SUMMARY

# 2017/18



Clutha District Council



## Welcome to the Summary of this year's Annual Report.

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

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

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

The production of the Long Term Plan was another significant achievement using the ERP. The risk was managed and a Long Term Plan was produced that was broader in scope and greater in depth than even the last LTP (LTP 2015-2025) where Council announced a change in strategic direction to promote growth.

Four key consultation questions included future-proofing Mt Coovee with a recovery centre and transfer station, upgrading Milton's main street and including a destination toilet, sealing unsealed urban roads, and changing the Community Services rating system to a fairer rate base for facilities. In addition Council agreed to contribute to improvements to the Clutha Gold Trail, an extension to the Cross Recreation Centre, and underwriting a loss from developing the Rosebank Industrial Park.

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

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

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

Focus in recent years on growth projects has continued primarily driven by outcomes from our various community plans, and the emphasis is constantly changing at a rapid pace. It would have almost been inconceivable to have imagined only a hand full of years ago that the dominant impediment to our districts economic growth would be the shortage in accommodation. This year has seen a continuation in growth of new rateable properties throughout the district, and while there has been considerable work in this area, demand is far outstretching our ability to respond. Kaitangata's housing and the North Balclutha residential subdivision are two examples of how Council has led the way and while progress hasn't been apparent to many, the end results speak for themselves.

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

Bryan Cadogan  
Mayor

Steve Hill  
Chief Executive

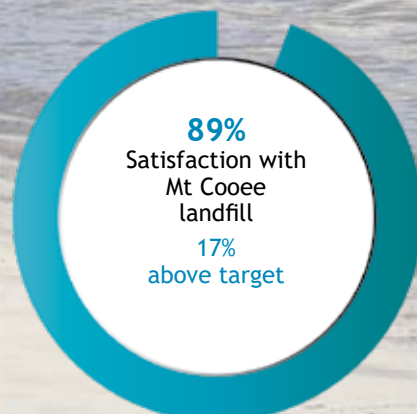


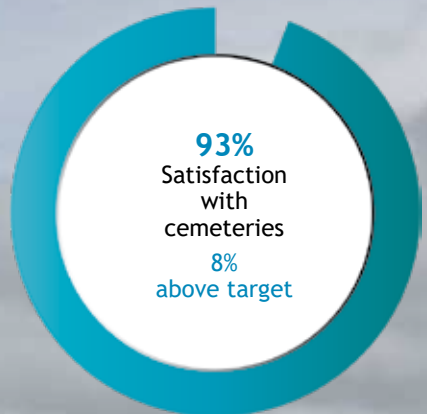
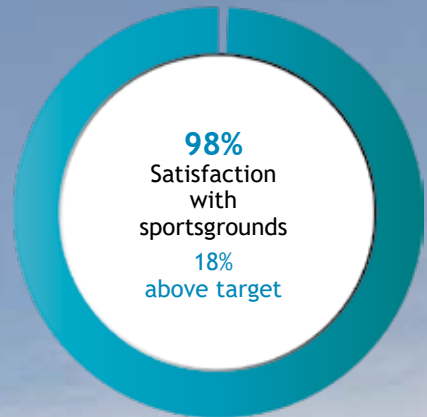
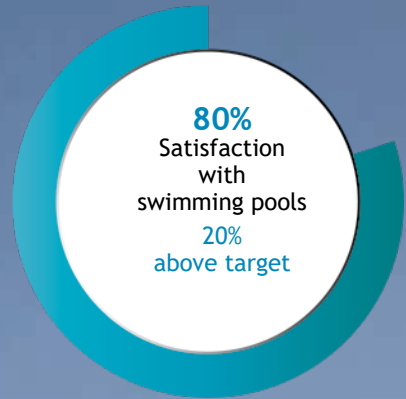
# WHAT OUR RESIDENTS THOUGHT

This is how satisfied our residents were with our services in 2017/18.

These results come from our annual residents survey which determines community satisfaction levels with services and facilities.

The results are compared to our targets for 2017/18.







# LIVING & WORKING IN CLUTHA



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

## SUBDIVISION PROGRESSES

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

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

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

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

## MORE RESIDENTIAL DEVELOPMENT

### Supporting opportunities in Kaitangata

During the consultation period for the 2017/18 Annual Plan, Council received a proposal from Kaitangata Promotions for support to help encourage uptake of its newly-developed House and Land Packages. Given the quality of the proposal and its close alignment with Council's plan to drive development in the district,

Council agreed to provide support for this initiative in the form of reimbursement of Council fees for building consent, sewage and water connections.

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

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

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

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



## WORKING IN CLUTHA INITIATIVE

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

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

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

## INDUSTRIAL DEVELOPMENT

The Rosebank industrial area continues to develop.

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

Council let a contract in 2017/18 for the development of the site into 11 serviced lots and is currently

progressing that construction project. Council also informed ratepayers through the 2018 Long Term Plan consultation that a loss was expected to be made on the development, but that the loss would be met through funds generated by sales of surplus property rather than by rates. As of 30 September 2018 two lots have been sold, and four lots have sale and purchase agreements waiting to be settled.

## OUR PLACE COMMUNITY PLANS

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

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

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



# MAJOR INFRASTRUCTURE PROJECTS

Updating you on our main infrastructure projects from 2017/18

## KAITANGATA AND HERIOT SEWERAGE UPGRADES

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

## PROGRESS WITH LED STREETLIGHT CONVERSION

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

## BRIDGES UPDATE

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

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

## MILTON WATER TREATMENT PLANT IMPROVEMENTS

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

## RURAL WATER IMPROVEMENTS

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

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

## STORMWATER IMPROVEMENTS

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

## BALCLUTHA CAST IRON MAINS RENEWAL

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



# COUNCIL SPENDING AT A GLANCE

	Operating Spend 2017-18	Capital Spend 2017-18	Rates value per \$100
 Rooding	\$9.4m	\$8.5m	\$34
 Water	\$5.9m	\$4.2m	\$19
 Community Services	\$4.8m	\$0.4m	\$10
 Regulatory & Emergency Services	\$1.7m	\$0m	\$3
 Sewerage	\$1.5m	\$3.2m	\$9
 Solid Waste	\$1.4m	\$0m	\$3
 Economic & Community Development	\$1.3m	\$0m	\$2
 Community Leadership	\$1.1m	\$0m	\$2
 Stormwater	\$0.4m	\$0.7m	\$2
 Internal Services	\$7.2m	\$0.3m	\$16
<b>Total</b>	<b>\$34.7m</b>	<b>\$17.3m</b>	<b>\$100</b>

## MAJOR VARIANCES EXPLAINED

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

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

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

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

- Depreciation was less than budget by \$324k due to the devaluation last year of the property, plant and equipment.
- Actual severance payments of \$53k were paid out. Budget was zero.
- Consultancy fees were \$199k higher than budget due to design changes in capital projects, asset management work and legal fees.
- Recording of bad debt expense as an allowance of \$56k. Budget was zero. We incurred investment fund manager fees of \$134k. Budget was zero.
- We paid Clutha Development Trust \$100k more than budgeted for additional project work.
- We had to pay additional Objective license fees of \$44k. Budget was zero.
- Our ETS liability was \$105k more than budget.

## SUMMARY OF KEY FINANCIAL INDICATORS

	ACTUAL 30 JUNE 2018 (\$,000)	BUDGET 30 JUNE 2018 (\$,000)	ACTUAL 30 JUNE 2017 (\$,000)
<b>SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE</b>			
<b>INCOME</b>			
Rates Revenue	25,327	25,622	24,683
Other Operating Revenue	17,259	14,637	17,020
<b>Total Operating Revenue</b>	<b>42,586</b>	<b>40,259</b>	<b>41,703</b>
<b>EXPENDITURE</b>			
Employee Benefits Expense	5,653	6,224	5,432
Depreciation	12,948	13,272	13,752
Other Expenditure	21,428	19,340	19,835
<b>Total Operating Expenditure</b>	<b>40,029</b>	<b>38,836</b>	<b>39,019</b>
<b>Operating Surplus</b>	<b>2,557</b>	<b>1,423</b>	<b>2,684</b>
Available for Sale Valuation Gain/(Loss)	-	-	5
Gain/(loss) on PP&E Revaluation	-	-	(3,391)
Total Other Comprehensive R&E	-	-	(3,386)
<b>Total Comprehensive Revenue &amp; Expense for the year</b>	<b>2,557</b>	<b>1,423</b>	<b>(702)</b>
<b>SUMMARY STATEMENT OF CHANGES IN NET ASSETS/EQUITY</b>			
Equity at the beginning of the year	1,020,409	1,103,758	1,021,111
Total Other Comprehensive Revenue & Expense for the year	2,557	1,423	(702)
<b>Equity at the end of the year</b>	<b>1,022,966</b>	<b>1,105,181</b>	<b>1,020,409</b>
<b>SUMMARY STATEMENT OF FINANCIAL POSITION</b>			
Current Assets	37,246	20,469	36,057
Non Current Assets	994,164	1,090,635	989,982
<b>Total Assets</b>	<b>1,031,410</b>	<b>1,111,104</b>	<b>1,026,039</b>
Current Liabilities	7,655	5,141	4,819
Non Current Liabilities	789	782	811
<b>Total Liabilities</b>	<b>8,444</b>	<b>5,923</b>	<b>5,630</b>
<b>Net Assets/Equity</b>	<b>1,022,966</b>	<b>1,105,181</b>	<b>1,020,409</b>
<b>SUMMARY STATEMENT OF CASHFLOWS</b>			
Net Cashflows from Operating activities	12,950	14,696	12,130
Net Cashflows from Investing activities	(13,047)	(14,620)	(11,240)
Net Cashflows from Financing activities	-	-	1
<b>Net Cashflows for the Year</b>	<b>(97)</b>	<b>76</b>	<b>890</b>

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





## FINANCIAL POSITION

- Short term investments, included in current assets are higher than budgeted by \$18 million. This is due to the underspend on capital projects as well as the proceeds from the sale of the forestry assets which were not budgeted.
- There is a \$81.4 million variance on the property, plant and equipment valuation due to lower oil prices, stronger NZ \$, lower inflation rates and more competitive prices due to lack of work nationally
- Capital projects built were \$16 million below budget.
- Development property - 15 lots have been sold in Plantation Heights amounting to costs of \$1,050k.
- As the Rosebank Industrial project is expected to make a loss, the full development costs of \$1,576k have been expensed.
- Receivables and payments are \$1,921k higher than budget due to higher than usual NZTA claim at year end.
- Payables and deferred revenue are \$2,217 higher than budget due to higher than usual contract creditors at year end.

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

## CAPITAL EXPENDITURE

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

- \$500k. Lack of tenders for Milton upgrade.
- \$800k. Old Lake Road construction moved into 2019.
- \$1 million. Pipeline work not done in winter,
- \$1 million. Treatment plants requiring more time for construction and design.
- \$800k. Switchboard tenders done late.

Wastewater:

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

Stormwater:

- Project cost more than tendered.

Roading:

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



## FINANCIAL STRATEGY

In our 2015-25 Long Term Plan we established our Financial Strategy to guide our financial decisions. The following tables show our performance against these measures for the 2017/18 financial year.

### RETURN ON INVESTMENTS

At the close of the 2018/19 year Council's investments rose to \$25.5 million, well above the \$14.6 million forecast for 2017/18 in the Long Term Plan. This is due to under expenditure on capital projects as well as unbudgeted proceeds from the sale of forestry assets.

### CHANGES IN INVESTMENTS 2017/18

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

### LIMITS ON INTERNAL DEBT

Council's internal limits set in the financial strategy were to ensure interest costs are less than 10% of our annual rates income, and that total internal debt per Capita did not exceed \$1,800. The results of **4.25%** and \$1,543 per capita are well within those limits in 2017/18.

### INTERNAL DEBT 2017/18

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

### LIMITS ON RATES AND RATE INCREASES

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

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

### LIMITS ON RATES AND RATE INCREASES

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

## DISCLOSURES

Section 98(4)(b) of the Local Government Act 2002 requires Council to make publicly available a summary of the information contained in its Annual Report.

This summary booklet of the Annual Report 2017/18 provides:

- [An outline of Council's end of year financial position.](#)
- [An overview of Council services during 2017/18](#)
- [A statement from Council's auditors - Deloitte.](#)

The specific disclosures included in the summary have been extracted from the full Annual Report 2017/18 adopted by Council on 18 October 2018. This summary document cannot be expected to provide as complete an understanding as provided by the full financial report itself.

A full copy of the Annual Report 2017/18 is available from Council main office at Rosebank Terrace, Balclutha or by contacting 0800 801 350. It is also available on the Council website at [www.cluthadc.govt.nz](http://www.cluthadc.govt.nz).

The Annual Report 2017/18 has been audited and gained an unmodified opinion, which means the report has met the requirements of the Local Government Act 2002.

This summary financial report has been examined by the auditor for consistency with the full financial report. The auditor's report on the summary annual report is included with this summary.

Council's full financial report has been prepared in accordance with Tier 1 PBE Standards and has been complied with NZ GAAP and stated explicitly that they comply with NZ equivalents to IPSAS (International Public Sector Accounting Standards) as applicable for public entities. The summary financial report complies with FRS PBE 43 - summary financial statements.

The presentation currency of the annual report is in New Zealand dollars. The summary annual report is rounded to the nearest thousand dollars.

## INDEPENDENT AUDITOR'S REPORT

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

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

The summary of the annual report comprises the following summary statements on pages 4 to 13:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in net assets/equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

#### Opinion

In our opinion:

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

#### Summary of the annual report

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

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

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

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 18 October 2018.

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

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

#### Auditor's responsibility

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





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

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

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

B E Tomkins  
Deloitte Limited  
On behalf of the Auditor-General  
Dunedin, New Zealand  
18 October 2018