

YOUR COMMUNITY - YOUR COUNCIL

ANNUAL REPORT SUMMARY 2018/19





FOREWORD TO THE SUMMARY OF THIS YEAR'S ANNUAL REPORT.

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 town's 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 Niko 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

HOW DID WE DO?

During 2018/19 we collected information to show how we were progressing against the goals we set for the year in the Long Term Plan 2018/28.

These results show some of the goals we measured.

The results are compared to our targets for 2018/19.

SUMMARY OF STATEMENT OF SERVICE PERFORMANCE FOR YEAR ENDING 30 JUNE 2019

SUMMARY OF KPI TARGETS BY ACTIVITY	MET	NOT MET	TOTAL
Community leadership	2	0	2
Roading	1	5	6
Water: urban	11	3	14
Water: rural	6	6	12
Sewerage	11	0	11
Stormwater	8	0	8
Community services	2	0	2
Solid waste	0	2	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%

90.3%

Percentage of key bridges that meet heavy vehicle (50Max) safety requirements
0.3% below target

5.5%

Percentage of sealed local road network that is resurfaced
1.4% below target

90%

Percentage of roads and footpaths customer service requests responded to within timeframes
5% below target

95%

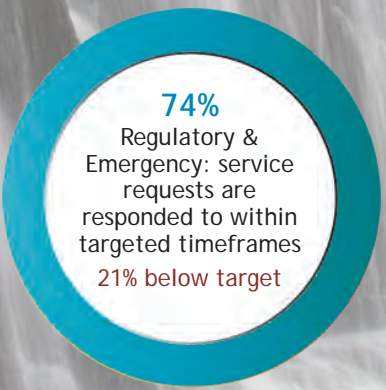
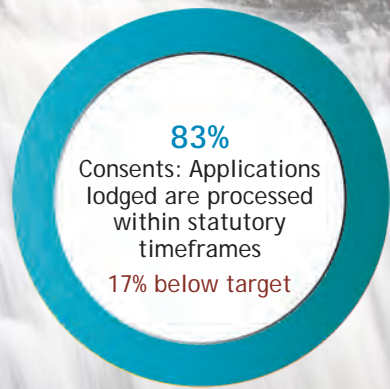
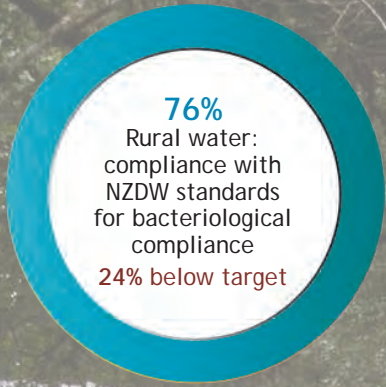
Urban water: compliance with NZDW standards for bacteriological compliance
5% below target

52%

Urban water: compliance with the NZDW standards for protozoal compliance
2% above target

3hrs

Council's response to complaints about urban drinking water
target ≤5hrs





LIVING & WORKING IN CLUTHA

In our 2018-28 Long Term Plan we continued with 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 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 the Milgon 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.
- Waiholo 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.

COUNCIL SPENDING AT A GLANCE

	Operating Spend 2018-19	Capital Spend 2018-19	Total Spend	Rates value per \$100
 Rooding	\$8.4m	\$7.4m	\$15.8m	\$36
 Water	\$6.6m	\$5.4m	\$12.0m	\$28
 Community Services	\$5.6m	\$0.8m	\$6.4 m	\$14
 Regulatory & Emergency Services	\$1.9m	\$0m	\$1.9m	\$4
 Sewerage	\$2.0m	\$0.8m	\$2.8m	\$6
 Solid Waste	\$1.5m	\$0.3m	\$1.8m	\$3
 Economic & Community Development	\$1.4m	\$0m	\$1.4m	\$3
 Community Leadership	\$1.6m	\$0m	\$1.6m	\$4
 Stormwater	\$0.6m	\$0.6m	\$1.2m	\$2
Total	\$29.6m	\$15.3m	\$44.9m	\$100

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.

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.
- Other revenue is \$641k below budget, mainly due to \$700k NZTA administration fee budgeted

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



FINANCIAL STRATEGY

In our 2018-28 Long Term Plan we established our Financial Strategy to guide our financial decisions. The following tables show our performance against these measures for the 2018/19 financial year.

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.

CHANGES IN INVESTMENTS 2018/19

(\$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 & Expense and notes to the financial statements for more information.

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

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 2018/19 provides:

- [An outline of Council's end of year financial position.](#)
- [An overview of Council services during 2018/19](#)
- [A statement from Council's auditors - Deloitte.](#)

The specific disclosures included in the summary have been extracted from the full Annual Report 2018/19 adopted by Council on 3 October 2019. 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 2018/19 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.

The Annual Report 2018/19 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 2019

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 2019.

The summary of the annual report comprises the following summary statements on pages 4 to 14:

- the summary statement of financial position as at 30 June 2019;
- the summaries of the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cashflows for the year ended 30 June 2019;
- 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 2019 in our auditor's report dated 3 October 2019.

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.

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